

Downtown Silver Spring
Retail and Office
Market Conditions

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Executive Summary

Through several decades of shifting economic forces and retail and office patterns, downtown Silver Spring has evolved into a vibrant center of regional activity and Montgomery County's most diverse business district. Downtown Silver Spring is a regional hub for business, retail, entertainment, arts and urban living serving a downtown employment base of roughly 20,000 workers and a residential trade area of more than 60,000 residents with a median household income of \$90,000.

The mix of old and new apartments and condominiums with surrounding single-family neighborhoods offers a range of housing options, accommodating residents of all ages, incomes and ethnicities. From 2010 through 2019, the study area has added 3,899 residential units in 16 buildings, almost doubling the downtown housing supply. Silver Spring's diversity gives it a flavor and vitality prized by its residents and the renewing force of new entrepreneurs creating new businesses and centers of activity.

Now with the relocation of Discovery Communications' headquarters to New York City, the rise of e-commerce, shifting office patterns and the effects of the current COVID-19 pandemic, downtown is facing new challenges as it sets its path for the next 20 years of evolution and change.

Given the many advantages of face-to-face interaction, downtown companies will likely bring employees back to the office once a COVID-19 vaccine is widely available. However, the office utilization patterns are likely to change as companies reinvent their operations to accommodate work from home and other options. With possible reductions in demand for office space due to those accommodations as well as the over-abundance of vacant office space, high vacancies in Silver Spring are likely to continue for several years. These conditions will prevent construction of new general-occupancy office space, though opportunities may continue for single-tenant construction.

The reduced number of office workers in downtown each workday will affect restaurants and retailers, limiting daytime sales, though downtown residents working from home may take up some of the slack. Downtown will need to attract new businesses to replace those unable to survive the pandemic, and existing retailers and restaurants will need to evolve in order to stay competitive as consumer tastes change.

Silver Spring has a cluster of service commercial/light industrial businesses in the southern part of Fenton Village that could be vulnerable to redevelopment. The new plan will need to address long-term accommodation and preservation of downtown Silver Spring's service commercial/ light industrial businesses or risk losing their valuable services in support of local residents.

Retail

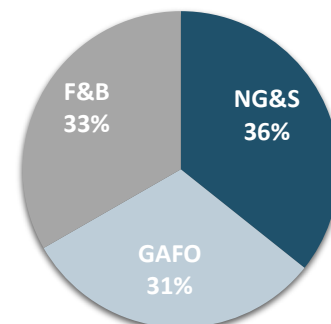
Downtown has competed well over the last 15 to 20 years due to its mix of retailers and restaurants, its ambiance as a vibrant mixed-use district, its density of residents within walking distance of the retail core and the continual programming provided by the Silver Spring Town Center, Inc., Downtown Silver Spring, the Silver Spring Urban District, the Fillmore, AFI Silver Theatre and Regal Majestic Theater. The mix of national brands and unique independent restaurants and stores help to attract a variety of customers from different backgrounds, incomes and age groups.

With three organized shopping centers – Downtown Silver Spring, Ellsworth Place and The Blairs – plus myriad storefronts, downtown offers a varied mix of retail and restaurants across distinctive subareas. CoStar estimates that downtown has a total of 1.88 million square feet of retail space, but that estimate includes second-story spaces above storefronts, automotive uses and a variety of first-floor office space.

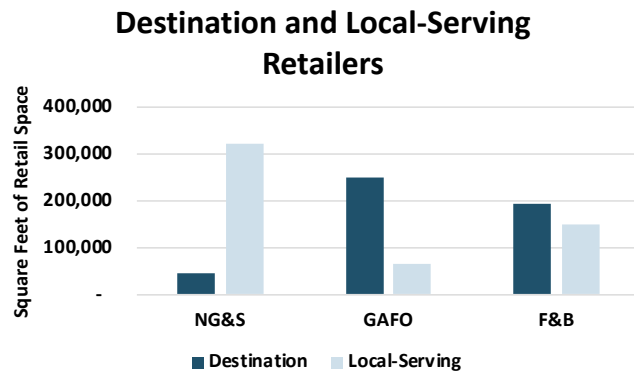
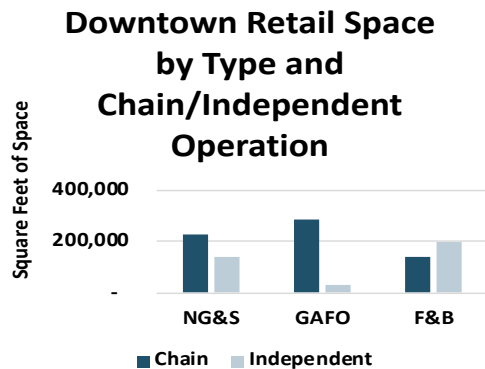
This analysis focuses on three major types of retail space representing roughly 1.03 million square feet of occupied retail space (estimated based on a comprehensive field inventory conducted by Partners for Economic Solutions):

- Neighborhood Goods & Services (NG&S) including grocery and drugstores;
- General Merchandise, Apparel, Furniture & Furnishings and Other Shoppers Goods (GAFO) – the types of merchandise sold in department stores; and
- Food & Beverages including restaurants, bars and food outlets of all kinds.

Retail Square Feet by Type

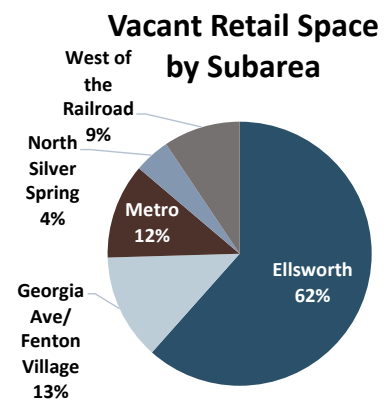


Roughly 64 percent of this retail space is affiliated with national chains, primarily within the Downtown Silver Spring and Ellsworth Place developments. Fifty-three percent of the space is occupied by businesses focused on the local, close-in population while 47 percent are destination retailers that attract customers from a wider geography.



Downtown has 143,300 square feet of vacant retail space, 62 percent of which is located in the Ellsworth District¹ due to the impact of COVID-19, retail chain bankruptcies and some renovations and re-tenanting of spaces in the Downtown Silver Spring and Ellsworth Place developments. This represents a vacancy rate of 11.0 percent, significantly higher than the 3- to 5-percent vacancy typical in well-functioning retail markets.

Downtown has lost at least a dozen restaurants and retailers since the COVID-19 pandemic began impacting customer traffic and operating conditions, many more than in a typical year. Some retailers and restaurateurs are still in limbo as to whether they will be able to hold on financially until customers start eating out and shopping in greater numbers and operations can return to normal.



Downtown Silver Spring's emerging entertainment hub, anchored by the AFI Silver Theatre, a new black box theater built as part of the new AFI facilities, the Civic Building, the Fillmore and Regal Majestic movie theater as well as facilities at Montgomery College, has been hit particularly hard by restrictions on large gatherings.

Despite the tough market conditions, entrepreneurs continue to seek out downtown opportunities with at least four new restaurants opening during the pandemic and a lease signing that will bring MOM's Organic Market to Georgia Avenue, a positive sign that the underlying demographics and growing base of close-in residents will fuel a future recovery once there is a vaccine and a return to "normalcy."

¹ The subarea map appears on page 11.

Office

Silver Spring is positioned as a cost-effective alternative to downtown Washington, DC. Vacancies in downtown Silver Spring are very high following the relocation of Discovery Communications and years of businesses downsizing their spaces. Even at the high levels of absorption experienced in 2018, it would take five years of steady absorption before vacancies would reach a level that makes the area attractive for new development. The prospects are not promising in the face of COVID-19 and resulting changes in office use. With businesses allowing greater teleworking with employees coming to the office less than five days per week, vacancies are likely to rise and persist for an extended period.

Across the region, a dramatic shift has occurred in office location preferences from single-use business parks to mixed-use, transit-oriented walkable districts. As younger tech and other creative workers became critical to many businesses' operations, attracting them became increasingly important to the businesses' success and companies started to prioritize locations that appeal to Millennials and other young workers.

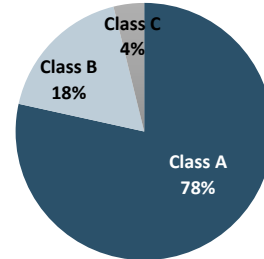
By offering nearby opportunities to work, live and play without being dependent on personal automobiles, downtown Silver Spring capitalized on that trend. It had enjoyed office vacancy rates that were two to four percentage points below countywide rates until 2018 when Discovery Communications made the decision to relocate its headquarters to New York City to be more firmly enmeshed within the global media industry. With that single move, downtown office vacancies jumped from 8.1 percent in 2018 to 17.8 percent in 2019, and it has climbed higher to 18.0 percent as of the fourth quarter of 2020.

Across the region and the county, vacancy rates have been unsustainably high since the Great Recession of 2008-2009 – Montgomery County and the Metro Area have vacancy rates of 13.1 and 13.5 percent, respectively – much higher than the 8.0-percent rate that is indicative of a market with a good balance between supply and demand. A number of factors contributed to the enormous overhang of vacant space including a declining amount of space per employee made possible by technology, telecommuting and more efficient use of office space. Net absorption fell sharply over the last decade as private businesses reduced their footprints and the federal government shrank its private market leasing. In the face of these conditions, new office development has slowed substantially. Older office buildings from the 1980s are at a competitive disadvantage relative to newer buildings, which have more glass and open spans. Developers report that the disadvantage is not a major factor in the market performance.

The downtown Silver Spring office inventory includes 6.7 million square feet of space with 1.5 million square feet of vacant space. Due to the spaces vacated by Discovery Communications, vacancies in the highest-quality – Class A – buildings stand at 20.5 percent.

In the face of high vacancies across the regional office market, downtown Silver Spring has seen construction of only 221,000 square feet of new office space since 2008 – almost exclusively for United Therapeutics’ headquarters and research facilities.

Vacant Office Space by Building Class



Since the opening of the Metro station in 1978, downtown Silver Spring has competed regionally as a cost-effective alternative to downtown Washington, D.C., providing office space for the National Oceanographic and Atmospheric Administration (NOAA), associations, Federal contractors, consultants, research institutes and some technology companies. The attraction of Discovery Communications and Urban One/Radio One, coupled with the Arts and Entertainment District tax incentives, seeded the development of a media cluster, which persists even after Discovery’s relocation.

Though a smaller share of the office market now, local population-serving businesses remain a force in the local market. Some have left downtown Silver Spring for the outer suburbs following population movements, and new service providers have moved in to serve the growing ethnic and minority communities.

On the regional and county level, net absorption of office space improved from 2015 through 2019, reducing the supply of vacant space; however, both areas have experienced net losses in occupied office space in 2020, reflecting the effects of the pandemic.

The implications for office space demand once a vaccine for COVID-19 has been developed and employment starts to grow again are not yet clear. The pressure to reduce office space per employee could abate, easing one of the major forces suppressing office demand. However, months of having employees work from home have demonstrated the feasibility and value of widespread teleworking. The desire to increase the amount of space per employee and provide more space between workers will likely be offset by decisions to reduce the number of workers in the office on any particular day.

Some experts have suggested that companies may favor suburban locations that allow employees to drive to work and avoid using transit. A “hub-and-spoke” model could develop with satellite suburban spaces supplementing downtown space. Downtown Silver Spring could potentially benefit from such a development pattern.

Over the next five years, downtown is unlikely to see new office development as the owners of existing buildings compete to fill their vacant spaces and lower rents below those

required to finance new construction. If companies decide to downsize or not renew their leases, vacancy rates might increase to 19 percent over the next two years, adding 79,000 square feet of vacant space over the pre-COVID level. Net absorption averaged 12,900 square feet per year from 2010 through 2018 prior to Discovery vacating its buildings. In 2018 net absorption reached 253,000 square feet, downtown's highest rate since the mid-1990s. Comparing the scale of potential vacant space to historic absorption rates suggests that it may take many years before new construction is again feasible. At the nine-year average absorption rate, it would be 53 years before the downtown office market returned to a 9.0-percent vacancy level when development once again could be possible. If the downtown market could achieve and sustain half the absorption pace of 2018, downtown's vacancies could decline from a 2021 total of 1,285,000 square feet to 9.0-percent vacancies in 5.3 years or early 2027. That range of futures underscores the uncertainty facing the downtown market, the need for incentives to attract new tenants and the likelihood that additional office buildings will be demolished or converted to other uses.

Service/Industrial Uses

Though not a focus of this analysis, there is a key business element that should be addressed in the future planning for downtown. The major remaining cluster of service commercial/industrial uses in downtown Silver Spring includes 14 auto service businesses with 74 employees at the southern end of Fenton Village. The majority of these business owners are members of minority groups, including several immigrants. Their entrepreneurial efforts have grown their businesses, providing a living for their families and jobs for others. Providing convenient service for area residents and employees, these businesses have been buffered from residential encroachment.

Construction of the Metropolitan Branch Trail bikeway with removal of 10 parking spaces along Selim Road threatens the future of some of these businesses. Dependent on on-street parking for efficient operations, several business owners have expressed fears that they would need to close and relocate. Also of concern to the future of this industrial cluster is the potential expansion of mixed-use development from the north, likely to create conflicts over parking, early morning activity, noise and aesthetics.

I. Introduction

Montgomery County Planning Department is in the midst of preparing a new *Silver Spring Downtown and Adjacent Communities Plan* to replace the *2000 Silver Spring Central Business District (CBD) Sector Plan*. During these times of fundamental changes in local and national real estate markets, good planning requires an in-depth understanding of current conditions in the Silver Spring retail and office markets. Montgomery County Planning is undertaking a parallel effort simultaneous to this master plan to study tools to help preserve and strengthen the cluster of primarily independent and small retail that is owned by or serves minority and immigrant populations in and around Silver Spring. That effort is known as the *Retail in Diverse Communities Study*.

Through several decades of shifting economic forces and retail and office patterns, downtown Silver Spring has evolved into a vibrant center of regional activity and Montgomery County's most diverse business district. Attracting customers from southeastern Montgomery County, Northwest Washington and the region as a whole, downtown Silver Spring serves as a regional hub for business, retail, entertainment, arts and urban living. Its transportation hub provides easy access.

The mix of old and new apartments and condominiums with surrounding single-family neighborhoods offers a range of housing options, accommodating residents of different ethnicities, ages and incomes though market rents throughout the neighborhood are relatively high. Silver Spring's diversity gives it a flavor and vitality prized by its residents as well as a cadre of new entrepreneurs creating new businesses and centers of activity.

The County Government has invested millions of dollars in redevelopment over the last 30 years to support Silver Spring's rebirth in the face of rising competition from regional shopping centers and the loss of its traditional retail anchors. Land assembly, supportive infrastructure and public incentives laid the groundwork for an innovative public/private partnership, appropriately named "Downtown Silver Spring", creating award-winning public spaces and facilities. Incentives for the consolidation of Discovery Communications headquarters and support facilities sparked a renaissance. The County renovated the Silver Theatre for the American Film Institute and a black box theater, created an Arts and Entertainment District and later transformed the former J.C. Penney building into The Fillmore, a 2,000-seat venue for concerts and other performances.

Now with the relocation of Discovery Communications' headquarters to New York City, the rise of e-commerce, shifting office patterns and the effects of the current COVID-19 pandemic, downtown is facing new challenges as it sets its path for the next 20 years of evolution and change.

A Brief History

Opening in 1938, the Silver Spring Shopping Center at the corner of Colesville Road and Georgia Avenue was one of the first suburban shopping centers with dedicated parking in the front. Offering a drugstore, the Silver Theater, apparel retailers, services and a hardware store, the center helped to establish Silver Spring as a regional retail center for the expanding suburbs. The stand-alone Hecht Co. store opened at the corner of Fenton Street and Ellsworth Drive in 1947, followed by J.C. Penney in 1948 and Sears & Roebuck Co. in 1950. Historic materials indicate the presence of more than 200 retailers, including Hahn Shoes, Jelleff's and H.L. Green. Off-street parking lots supported the retailers, but traffic congestion was an issue.²

In 1960, Wheaton Plaza opened three miles to the north anchored by Woodward & Lothrop and Montgomery Ward department stores and a Giant Food grocery store. Hecht's relocated to Wheaton Plaza in 1987, and Sears relocated to White Oak Shopping Center. J.C. Penney, downtown Silver Spring's last department store closed in 1989. The Washington Metropolitan Area Transit Authority opened its Silver Spring terminus station on Metro's Red Line in 1978 and in 1998 extended the line to Glenmont.

New office buildings took advantage of the Metro station starting in the mid- to late 1980s with the Silver Spring Metro Center complex housing the U.S. National Oceanographic and Atmospheric Administration, Station Square at 1100 Wayne Avenue, the Silver Spring Metro Plaza complex and what is now the Argent Spring building on Colesville Road.

In the late-1980s and early-1990s, private efforts assembled properties to create a site for a new regional shopping center to be anchored by Macy's and J.C. Penney. However, J.C. Penney withdrew from the venture before the center began construction, leaving downtown Silver Spring with several vacant stores. In anticipation of that new center, Petrie Dierman Kughn developers acquired and converted the former Hecht's department store building into the City Place indoor shopping center anchored by Nordstrom Rack, Marshall's, Burlington Coat Factory and an AMC movie theater in 1992. Without adjacency to a major shopping center to attract greater foot traffic, City Place faltered and downtown's retail activity continued to dwindle.

The County Government built Parking Garage 61 to support City Place and pursued a public/private partnership for redevelopment of the site assembled for the failed shopping center venture. This new effort, the American Dream mall, was proposed to include a major indoor water park, a skating rink and other entertainment activities as well as stores and restaurants, intending to draw customers from across the region. When severe community opposition emerged and the developers failed to secure financing, the County Executive

² The Mary Kay Harper Center for Suburban Studies of Montgomery History. *The Suburbanization of Montgomery County, 1950-1960. Boom: The 1950s in Montgomery County; an Online Exhibition on the Suburbanization of Montgomery County, 1950-1960.* April 2018. Accessed on: <https://suburbs.montgomeryhistory.org/74-2/>



approached Foulger Pratt and the Peterson Companies about developing a new Town Center project. After lengthy consultation with the community, the Downtown Silver Spring development proceeded to build a new Whole Foods and Strosnider's hardware store on a County-owned parking lot along Fenton Street, renovate the historic Silver Spring Shopping Center and create a focused retail district along Ellsworth Drive anchored by a new movie theater and Border's Books. The County built Parking Garages 60 and 61 to support the development.

At the same time, the County attracted Discovery Communications to relocate its headquarters from Bethesda to Georgia Avenue opposite the historic Silver Spring Shopping Center, bringing thousands of employees to downtown Silver Spring in 2003. That year saw the opening of the American Film Institute in the former Silver Theater and the first phase of Downtown Silver Spring's restaurant and retail offerings. As Downtown Silver Spring built out over the next few years, it added a Courtyard by Marriott, a major Georgia Avenue office building and many more retailers.

The Silver Spring Civic Building and Veterans Plaza was created as a major public gathering place to replace the historic Armory, which was demolished in 1998 for construction of Parking Garage 60. The new civic center is enlivened by a series of programs and activities curated by a new non-profit Downtown Town Center, Inc. and Downtown Silver Spring and supported by the Silver Spring Urban District. A major farmers market operates Saturday mornings on Ellsworth Drive, and a variety of events, festivals and meetings are staged in the Civic Building and Veterans Plaza, including the annual Silver Spring Jazz Festival, that bring area residents and others downtown.

An Arts and Entertainment District was established in December 2001 under State legislation, providing tax and other incentives to attract arts, entertainment, communications and technology businesses to the downtown. With County action to renovate major facilities and the drawing power of Discovery Communications, arts uses have become a critical part of downtown's economy and vitality.

Development and Demolition Trends

Since the major flurry of new office buildings constructed in the 1980s, downtown's development activity has been dominated by new multi-family apartment and condominium buildings. From 2010 through 2019, the downtown study area added 3,899 residential units in 16 buildings, most of which include between 200 and 400 units. These buildings have introduced more than 71,000 square feet of new retail space.

To make way for these new residential structures, a variety of buildings were demolished and parking lots were eliminated. The demolitions included office, retail, industrial and church buildings. The market has shifted so sharply from office to residential that one office building on Fenwick Lane was converted to condominiums, a building on Georgia Avenue is proposed for conversion, and a building on Roeder Road is undergoing conversion to condominiums.

Two additional residential developments are under construction with 482 new units at the former Progress Place site west of Georgia Avenue and the former Police Department building on Sligo Avenue.

The Montgomery County Planning Department's development pipeline of approved projects includes 16 projects with a total of 4,189 unbuilt dwelling units, 785,000 square feet of unbuilt office space and 797,000 square feet of unbuilt retail space in downtown Silver Spring. (Depending on the market, not all of this space will be built. Recent trends would suggest that some of the projects with approved office space will ask for that potential to be converted to residential uses.) These projects are listed in Table 1 and shown on Map 1.

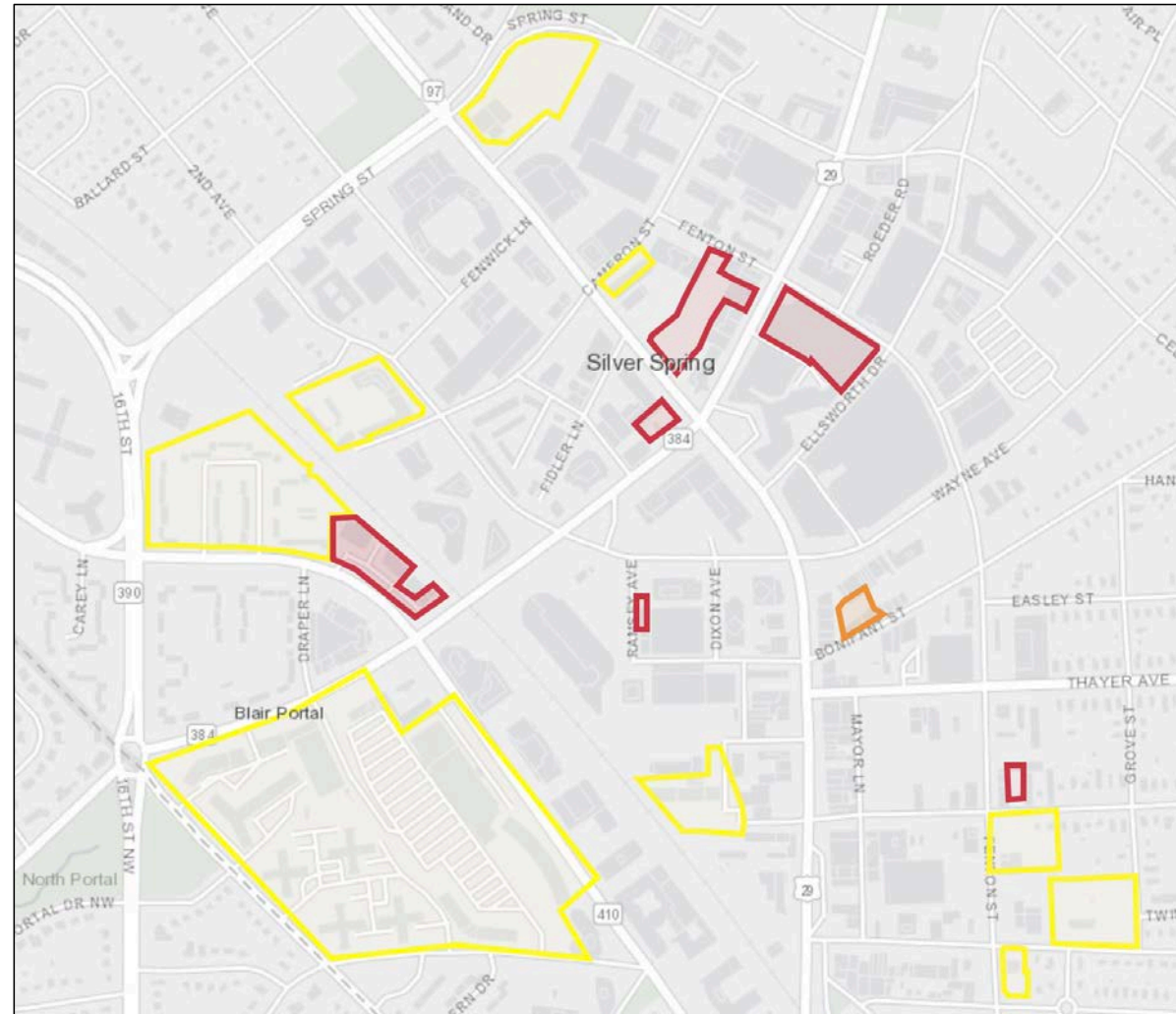
Table 1. Development Pipeline, Downtown Silver Spring Study Area, November 2020							
Project Name	Uses	Amount of Unbuilt Development			APNO ¹	Latest Approval	
		Dwelling Units	Office (S.F.)	Retail (S.F.)		Type	Date
850 Sligo Avenue	Residential	85			82019005A	Site Plan	7/9/19
Sligo Artspace ²	Residential/Arts	79		1,500	MR2016031	Mandatory Referral	6/15/16
Silver Spring Park	Residential/Retail	58		63,472	220151250	Record Plat	4/21/15
819 Silver Spring Avenue	Office/Retail		4,775	5,457	320150080	Sketch Plan	6/1/15
Bonifant Plaza	Residential	70			920070060	Project Plan Review	10/5/06
City Place	Office		246,857		81988046F	Site Plan	10/11/17
Fillmore Music Hall	Office/Retail		219,700	140,500	820100100	Site Plan	4/16/10
Metro Plaza	Office		180,078		81984154B	Site Plan	2/12/20
Guardian Building	Residential	177			820170100	Site Plan	4/3/17
8787 Georgia Avenue	Residential/ Retail	400		32,000	820180100	Site Plan	12/18/17
Elizabeth Square	Residential/ Retail	906		117,599	820170140	Site Plan	5/10/17
8600 Georgia Avenue	Retail			151,496	820170070	Site Plan	2/23/17
8407 Ramsey Avenue	Retail			2,740	220200920	Record Plat	6/9/20
Ripley II	Residential	440			42020191E	FCP Exemption	4/9/20
Falkland Chase	Residential/ Retail	1,068		120,000	920070080	Project Plan Review	6/2/10
The Blairs Master Plan	Residential/ Retail/Office	1,145	133,528	163,801	920130050	Project Plan Review	3/4/13
Total Unbuilt		4,428	784,938	798,565			
Note: ¹ APNO stands for Application Number.							
² Also includes 18,500 square feet of artist studios/industrial space.							
Source: Montgomery County Planning Department, 2020; Partners for Economic Solutions, 2020.							

Map 1 – Development Pipeline, Downtown Silver Spring Study Area

LEGEND

1	850 Sligo Avenue
2	Sligo Artspace ²
3	Silver Spring Park
4	819 Silver Spring Avenue
5	Bonifant Plaza
6	City Place
7	Fillmore Music Hall
8	Metro Plaza
9	Guardian Building
10	8787 Georgia Avenue
11	Elizabeth Square
12	8600 Georgia Avenue
13	8407 Ramsey Avenue
14	Ripley II
15	Falkland Chase
16	The Blairs Master Plan

Pipeline in this graphic is considered to be all projects with any form of entitlement approval. The Montgomery County Planning Department website defines pipeline as only projects with site plan approval.



Downtown Employment

Employment statistics from the Longitudinal Employer-Household Dynamics database indicate that downtown Silver Spring had 22,833 employees in 2002 which grew to 23,296 in 2010. By 2015, that total had fallen to 21,640 workers in 2015, the last date for which complete information is available. (See Appendix Table A-1.) Since that time, downtown employment has likely continued to decline with the demolition of office space, growing office vacancies and the relocation of Discovery Communications to New York City. Discovery moved an estimated 1,300 workers out of Silver Spring. Those workers have been partially replaced through new leases with Children's National Health and the Ana G. Mendez University System, a non-profit university system based in Puerto Rico.

One-third of downtown workers in 2015 (6,730 workers) were employed in professional, scientific and technical businesses and organizations. Hotels, restaurants and other food service businesses employed 2,926 or 13.5 percent of downtown workers and information businesses (including Discovery Communications) employed 2,149 workers or 10.5 percent of the total.

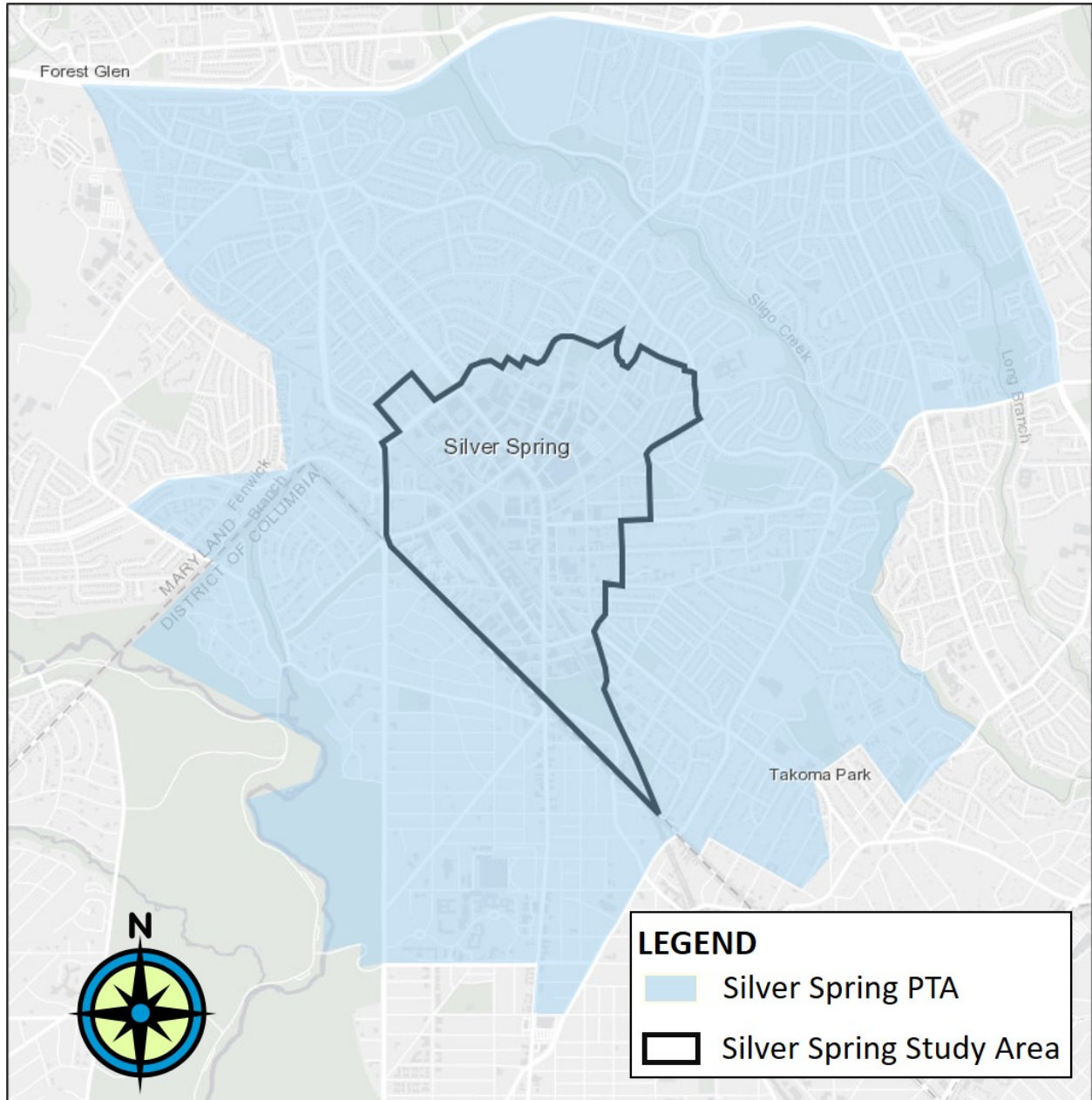
By wage levels, 59 percent of downtown workers had incomes in excess of \$40,000 in 2015 with 24 percent making \$15,000 to \$40,000 and 17 percent making less than \$15,000 per year. The 2015 workforce was 58 percent White, 31 percent Black and 8 percent Asian; 10 percent identified as Hispanic of any race. By age, 21 percent were under 30, 58 percent were 30 to 54 and 21 percent were 55 and over.

Almost one-third of employees of downtown businesses and organizations also lived in downtown in 2013. That compares with only 11 percent in 2002, reflecting the significant expansion of downtown housing.

Demographics

The Silver Spring Downtown Office and Retail Study encompasses a broad area including the Central Business District (CBD) and adjacent residential neighborhoods. To highlight meaningful demographic trends that impact the market conclusions a broader demographic profile area— downtown Silver Spring Primary Trade Area (PTA) – is compared to Montgomery County. The PTA represents the source of 85 to 90 percent of downtown's residential customer base. The following map shows the PTA boundaries, which reach into Northwest Washington, Takoma Park and most Silver Spring inside the Beltway west of University Boulevard.

Map 2 – Downtown Silver Spring Primary Trade Area (PTA)



The PTA's 60,637 residents live in roughly 27,573 households, of which 70 percent are families. Not surprisingly, 69 percent of households have only one or two persons. Most of the non-family households are people living alone. In the PTA, single households represent 37 percent of all households, exceeding the county's 25-percent rate of single households. The population grew an average of 1.1 percent annually over the last decade. Downtown's average household size of 2.2 persons is distinctly smaller than the county average of 2.71 persons. The PTA's median age of 38.5 years is somewhat lower than the county's average of 39.8 years.

Initial Demographics, 2020 Downtown Silver Spring PTA

60,637

2019 Population



27,573

2019 Households

1.1%

2010-2019 Population:
Annual Growth Rate



Average Household Size

\$90,173

2019 Median Household
Income



Median Age

Montgomery County

1,046,075

2019 Population



382,920

2019 Households

0.7%

2010-2019 Population:
Annual Growth Rate



Average Household Size

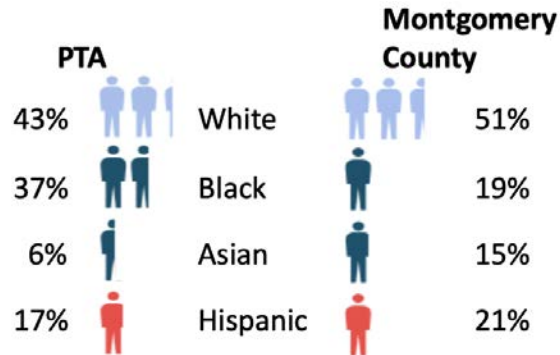
\$109,372

2019 Median Household Income

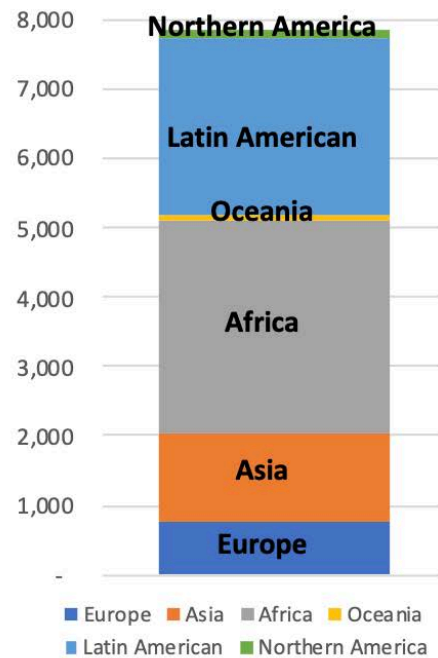
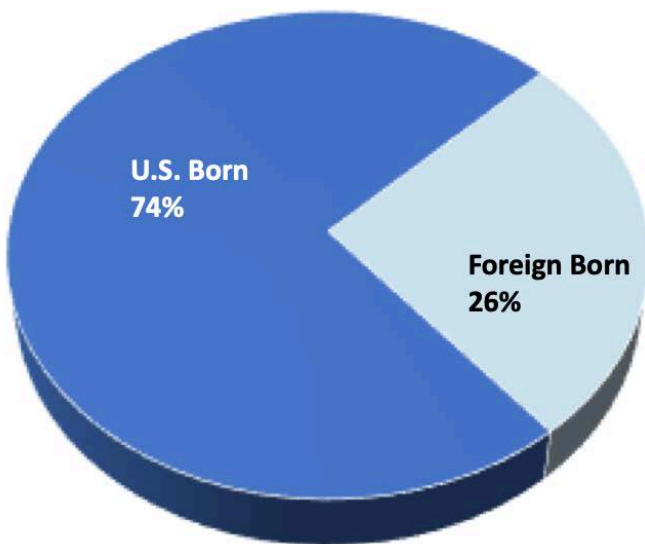


Median Age

Silver Spring's reputation as a diverse community helps to attract a variety of businesses. The downtown Silver Spring PTA scores 76 on the ESRI diversity index³ as compared with 73 for Montgomery County. Within the downtown Silver Spring PTA, an estimated 26 percent of the population is foreign-born as compared with 32 percent countywide.



Downtown Silver Spring PTA Foreign Born, 2020

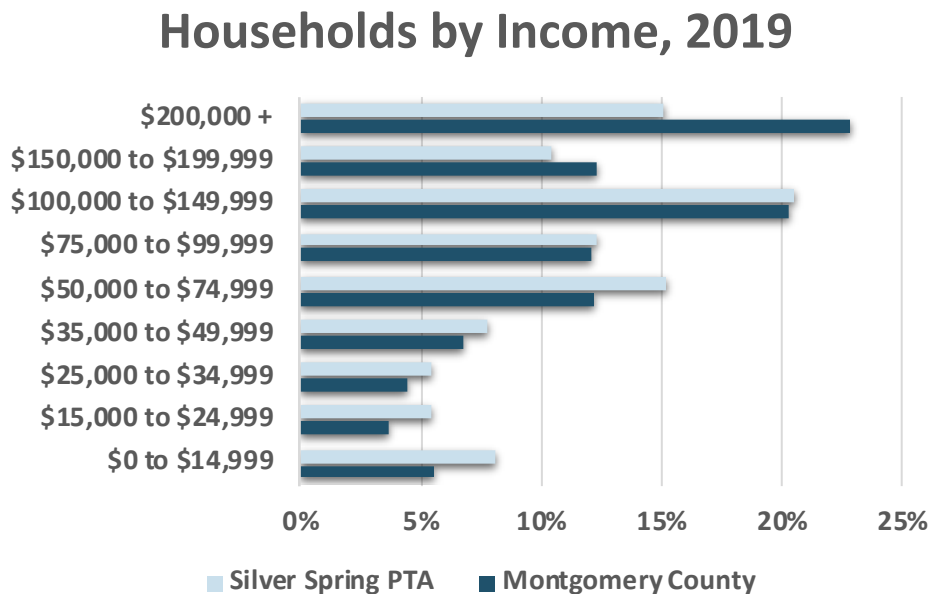


The median income for PTA households was \$90,170 in 2019, 17 percent lower than the county median household income of \$109,372. Nearly 19 percent of PTA households made

³ Defined as the likelihood that two people, chosen at random from the same area, belong to different races or ethnic groups. The index ranges from 0 (no diversity) to 100 (complete diversity).

less than \$35,000 and one in five households earned \$150,000 or more. Encompassing neighborhoods in northwest Washington, D.C., the PTA includes a larger percentage of lower income earners – 14 percent – earning less than \$25,000 than in Montgomery County (9 percent) and 25 percent earning more than \$150,000 (35 percent countywide).

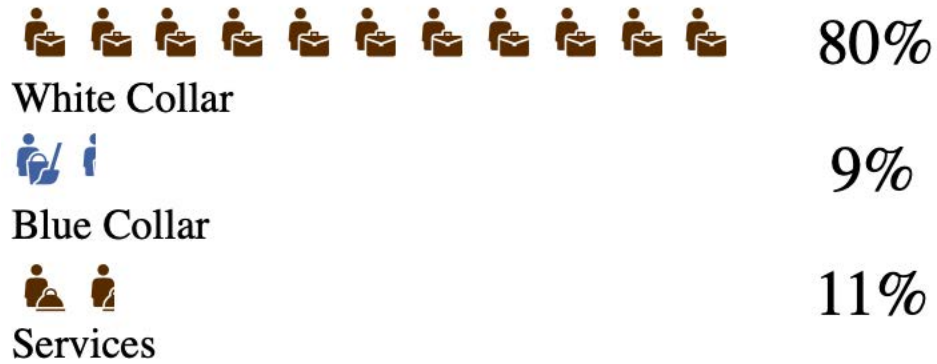
Downtown Silver Spring PTA Household Income Distribution, 2019



With excellent transit options, including Metro’s Red Line, MARC Brunswick line and high-frequency bus service, one-third of PTA residents commute by public transit, compared to only 16 percent in Montgomery County. However, just over one-half of PTA commuters continue to rely on private vehicles — 51 percent drive alone compared to 65 percent in Montgomery County.

Not surprisingly, 80 percent of employed PTA residents work in white-collar jobs, a slightly larger share than the 77 percent of the county’s employed residents. Blue-collar professions employ only 9 percent of downtown Silver Spring PTA residents, mirroring Montgomery County in which 11 percent of residents work in blue-collar professions. Twenty-four percent have bachelor’s degrees and 33 percent have graduate or professional degrees, comparable to the one-third of Montgomery County adults with graduate or professional degrees.

**Downtown Silver Spring PTA
Resident Employment Distribution by Type, 2020)**



Data on the business climate reflects the number of businesses, employees and expected daytime population in downtown Silver Spring. A thriving business community with roughly 3,121 businesses and 29,525 employees. ESRI, a national data provider, estimates the daytime population reaches 62,054 people in downtown Silver Spring.



II. Retail Conditions

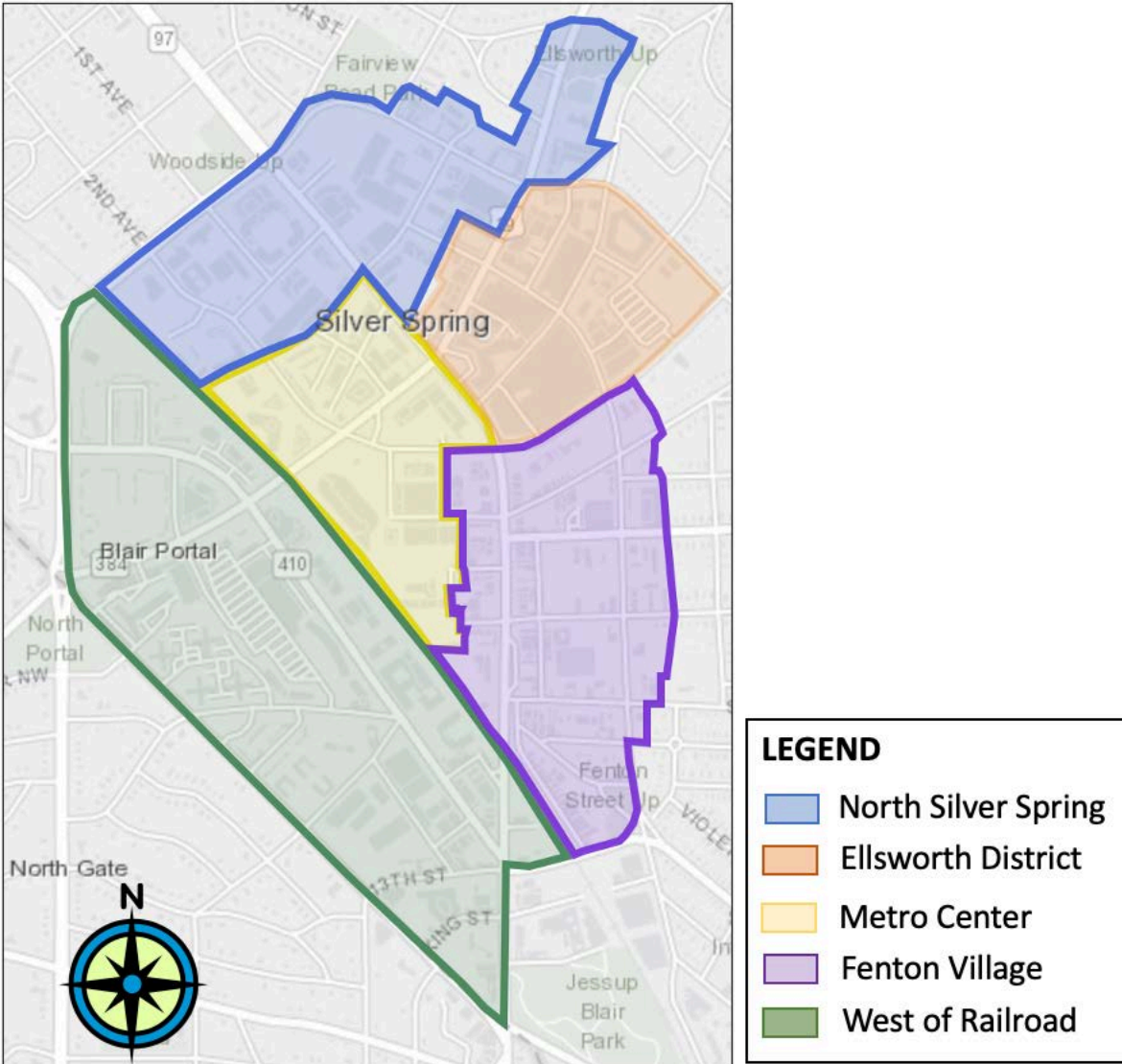
Downtown Silver Spring's retail mix is characterized by significant diversity of independent and chain businesses. The older storefronts provide affordable spaces that accommodate new, small, diverse retailers that need lower-cost space. In contrast, to recoup the cost of new development, the rents charged for newly developed space are significantly higher. As a result, these spaces tend to be occupied by established businesses, typically with a chain affiliation. Downtown Silver Spring and Ellsworth Place were both developed by experienced retail developers, who sought out tenants that could afford the required rents and had the operating track records to convince lenders to provide the project financing. The combination has helped Silver Spring to develop the county's most diverse retail mix, a blend of national, regional and local stores, restaurants and service providers that attract customers from near and far.

Downtown's disparate geographies and its various waves of development have created distinctive subareas that have their own characters and mix of businesses. Five retail subareas have been defined to allow for small area analysis. Shown in Map 1, they include:

- Ellsworth District;
- Georgia Avenue/Fenton Village;
- Metro Center;
- North Silver Spring; and
- West of the Railroad.

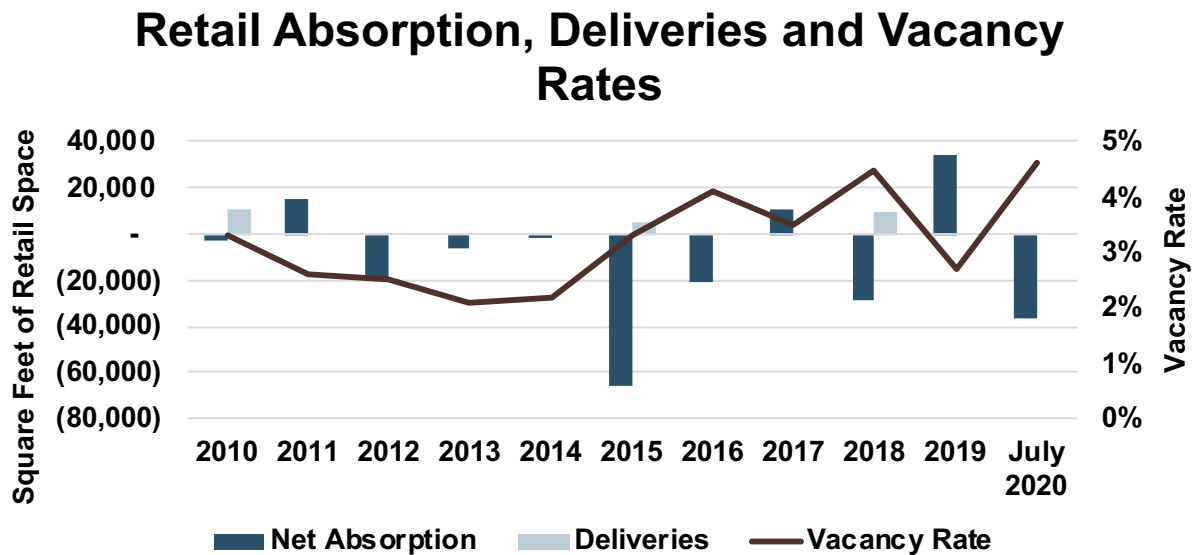
A discussion of each subarea's retail conditions appears at the end of this section.

Map 3 – Downtown Silver Spring Subareas



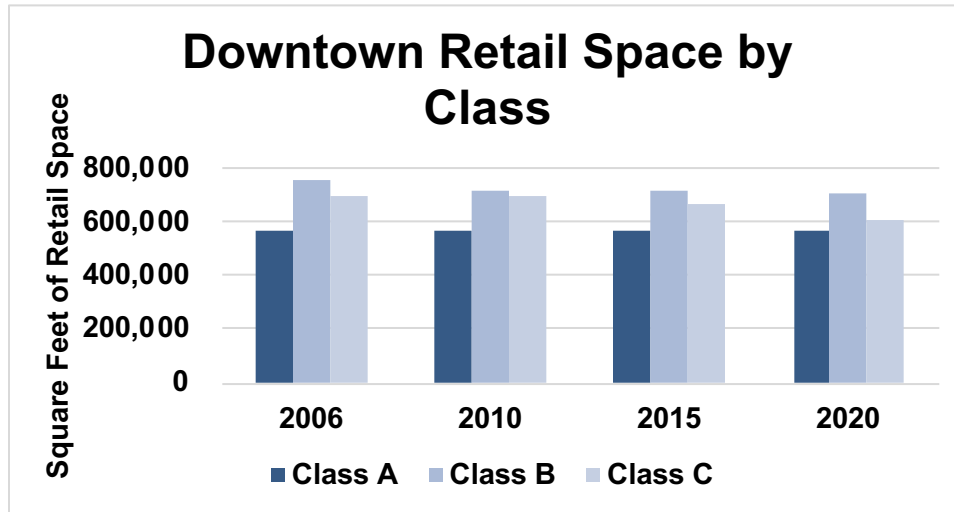
The retail inventory is focused in three shopping centers and within a series of small buildings owned by independent landlords. Downtown Silver Spring, Ellsworth Place and The Blairs Shopping Center are organized shopping centers with central leasing, management and operations. Located along East West Highway, The Blairs Shopping Center was first developed in the 1950s and 1960s as part of a major mixed-use development along with three apartment complexes and an office building. In 2013, the Tower Companies committed itself to a massive transformation of The Blairs into an urban, transit-oriented, walkable development surrounding a major urban park. The balance of downtown retailing is generally characterized by small landlords. Less than 10 percent of the local retailers own their own buildings.

CoStar provides historic data for retail space in downtown Silver Spring. It shows that downtown's retail inventory of 1.8 million square feet declined by 97,000 square feet from 2010 to July 2020. (See Appendix Table A-2.)



Source: CoStar

Almost all of the losses were Class C buildings demolished to make way for new residential developments. (Trends by class of space are shown in Appendix Table A-3.) Roughly half of the lost space was in the Ellsworth District as most of the existing buildings bounded by Georgia Avenue, Wayne Avenue, Fenton Street and the back side of buildings along Georgia Avenue were cleared to make way for what became the Downtown Silver Spring project. Another 28 percent of the lost buildings were in the Georgia Avenue/Fenton Village subarea and 11 percent in the West of the Railroad subarea. New infill development along Ripley Street demolished roughly 10,425 square feet of retail space, much of which was obsolete.



At the same time, CoStar estimated that vacancies grew by 22,000 square feet from 3.3 percent in 2010 to a 2020 level of 4.6 percent (87,300 square feet). (See Appendix Table A-4.)

The CoStar data somewhat obscure what's actually happening on the ground as its retail statistics focus almost exclusively on buildings that are predominantly retail in use. Thus, the more than 71,000 square feet of retail space created in new residential buildings are not part of CoStar's inventory or trends data. The 4.6-percent vacancy rate estimate undercounts total vacancies because it includes only buildings that are primarily retail and omits first-floor retail space in several office and residential buildings.

PES's field inventory estimates that vacancies actually total 143,000 square feet or 11.0 percent of the total inventory, which includes automotive service businesses, hardware and first-floor office space.

Retail Inventory

PES prepared a more comprehensive inventory of downtown retailing, drawing on data from CoStar and from the 2017 Montgomery County Retail Strategy⁴, Ellsworth Place and Downtown Silver Spring websites and field inventory. PES estimated individual store sizes where more definitive data were not available. That inventory identified 410 retail spaces, (excluding banks and first-floor offices) with a total of 1.3 million square feet of space.⁵

⁴ Streetsense. *Montgomery County Retail Strategy*. Silver Spring, MD, Q3 2017. Accessed at: https://montgomeryplanning.org/wp-content/uploads/2017/10/Retail_Trends_Study_Final10.12.17.pdf

⁵ This total includes 45 automotive service businesses and 2 hardware stores not included in the following discussion of the retail inventory.

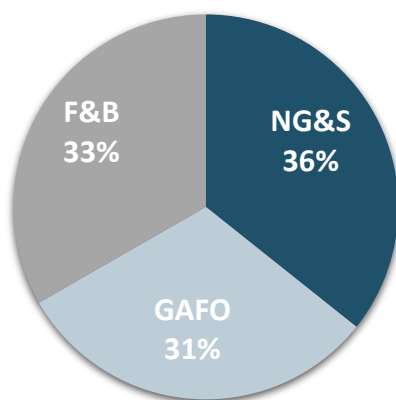
Inventory by Type

In analyzing retail trends and conditions, it is useful to distinguish among three types of retail space which have distinctly different market orientations:

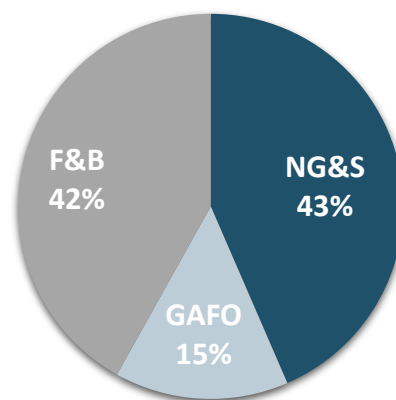
- **Neighborhood Goods & Services (NG&S)** includes businesses focused on providing nearby residents with goods and services. These include grocery stores, drugstores, salons, fitness centers, dry cleaners and non-auto repair shops. Some analysts refer to these as “convenience goods” as most customers’ decisions on where to shop depends on proximity and convenience.
- **General Merchandise, Apparel, Furniture and Other (GAFO)**, also known as “shoppers goods” or “comparison goods”, include the types of merchandise typically sold in department stores – apparel and accessories, furniture and home furnishings, books, electronics, etc. These retailers tend to cluster, often in shopping centers anchored by department stores, because customers prefer the opportunity to shop several stores and compare their options.
- **Food & Beverage** includes the full range of eating and drinking establishments from fast food and carry-out to fast casual dining to white tablecloth fine dining.

Downtown has a total of 1.03 million square feet in 315 spaces occupied by retailers and service businesses in these three categories, as shown in Appendix Table A-5. The retail space is divided relatively equally across the three categories with NG&S entities occupying 387,700 square feet, GAFO stores occupying 319,300 square feet and F&B establishments occupying 342,800 square feet. In terms of number of retail spaces, NG&S and F&B establishments constitute 85 percent of downtown’s total.

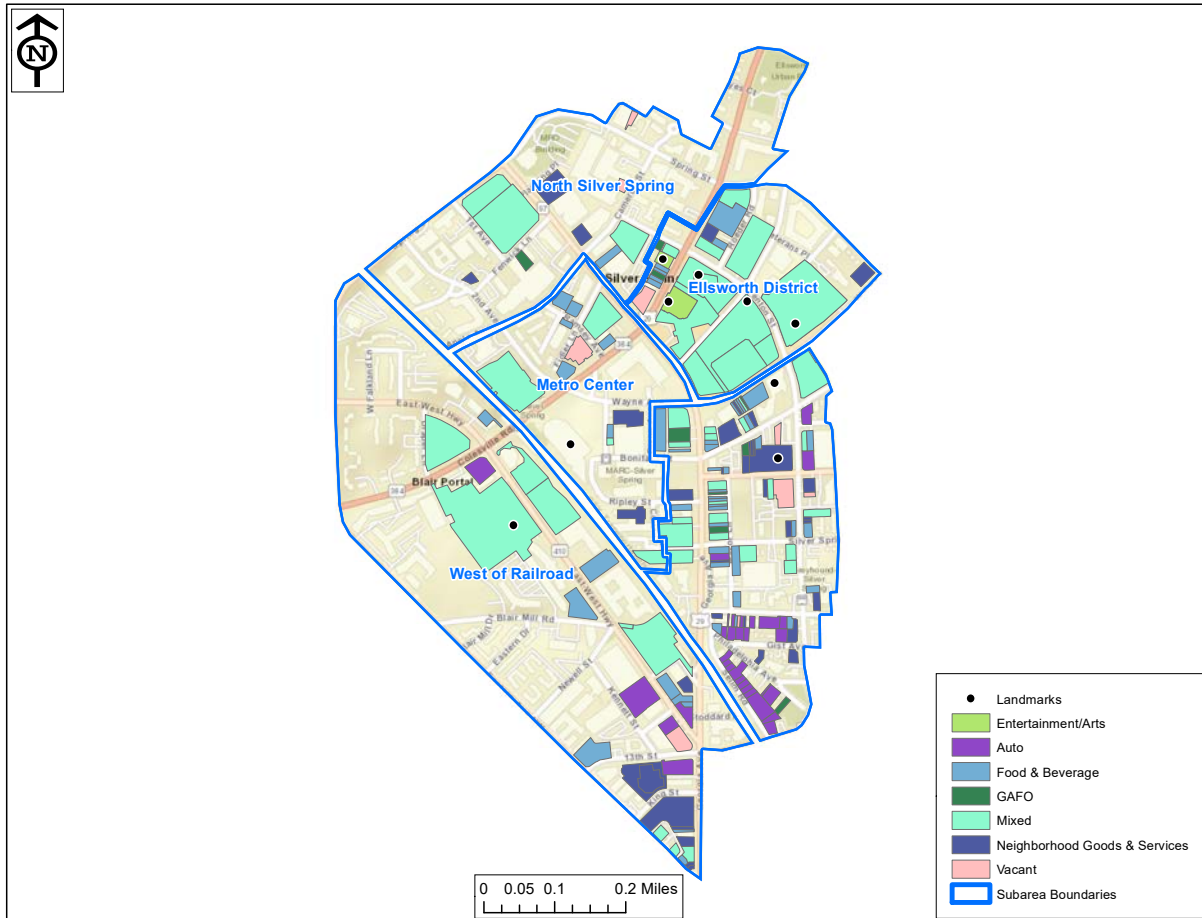
Retail Square Feet by Type



Number of Retail Spaces by Type



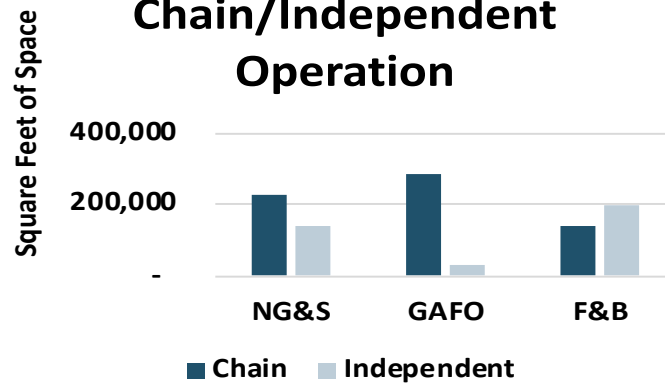
Map 4 – Downtown Silver Spring Retail by Type



Chain/Independent Operation

As noted earlier, the organized shopping centers tend to rely on national and regional chains. Overall, chain stores occupy 64 percent of downtown's occupied retail space, including 41 percent of F&B space, 62 percent of NG&S space and 90 percent of GAFO space (Appendix Table A-6).

Downtown Retail Space by Type and Chain/Independent Operation

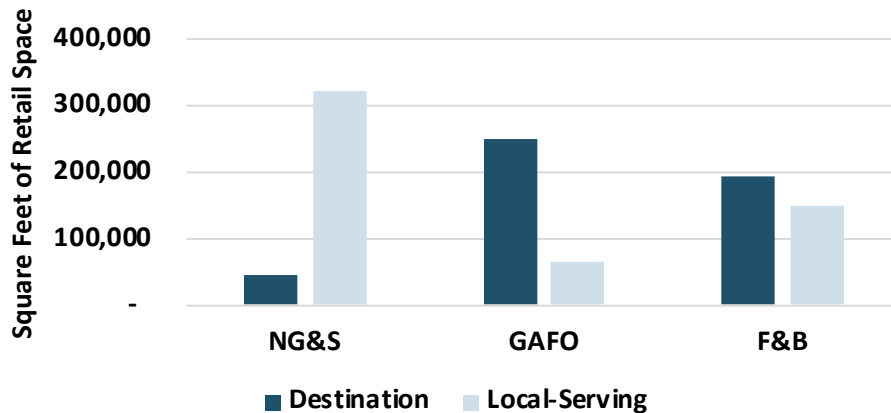


Destination Retailers

Some retailers stand out as destinations that draw customers from beyond the surrounding neighborhoods by offering a greater variety and depth of merchandise (e.g., a department store) or a distinctive offering (e.g., an unusual ethnic restaurant, restaurants that require reservations).⁶ Downtown benefits from a variety of destination retailers, particularly GAFO and restaurant offerings. Many of the major GAFO retailers have no other outlets within more than three miles and in many cases more than 10 miles. Downtown's many ethnic restaurants draw customers from a wide market that for some extends into Virginia. Appendix Table A-7 provides the counts and square footages of destination retailers by retail type and subarea.

⁶ Note that this categorization may have failed to include some of downtown's destination retailers due to lack of specific knowledge as to their customer base.

Destination and Local-Serving Retailers



Vacant Space

As of August 2020, downtown had an estimated 143,300 square feet of vacant retail space⁷ in 48 spaces as shown in Table 2. Based on the net absorption of 33,800 square feet of space in 2019 prior to the pandemic, this represents a 2.3-year supply of vacant space in excess of a healthy 5.0-percent vacancy level.

Table 2. Vacant Retail Spaces Based on Field Inventory, August 2020

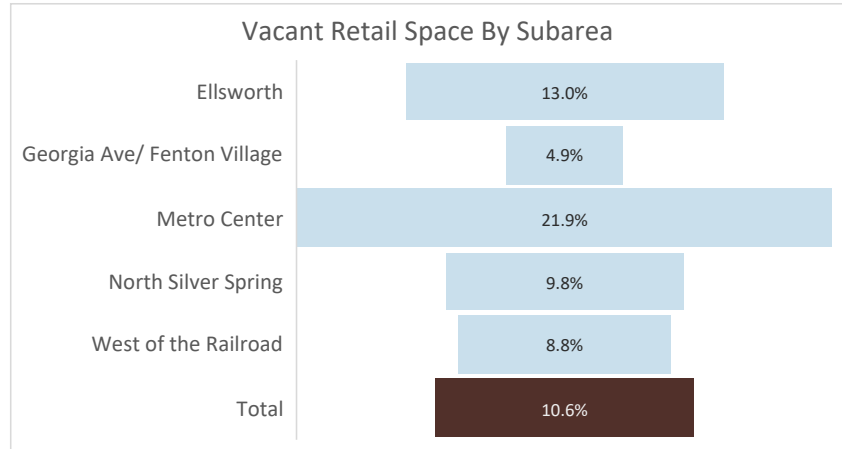
Retail Type	Retail Subarea					Total
	Ellsworth	Fenton Village	Metro	North Silver Spring	West of the Railroad	
Square Feet of Vacant Space	88,235	18,602	16,702	6,300	13,485	143,324
Number of Vacant Spaces	24	11	4	3	6	48
Percent of Total Retail Space	13.0%	5.1%	26.2%	13.0%	9.4%	11.0%
Percent of Total Vacant Space	61.6%	13.0%	11.7%	4.4%	9.4%	100.0%

Source: CoStar, 2020; Partners for Economic Solutions, 2020.

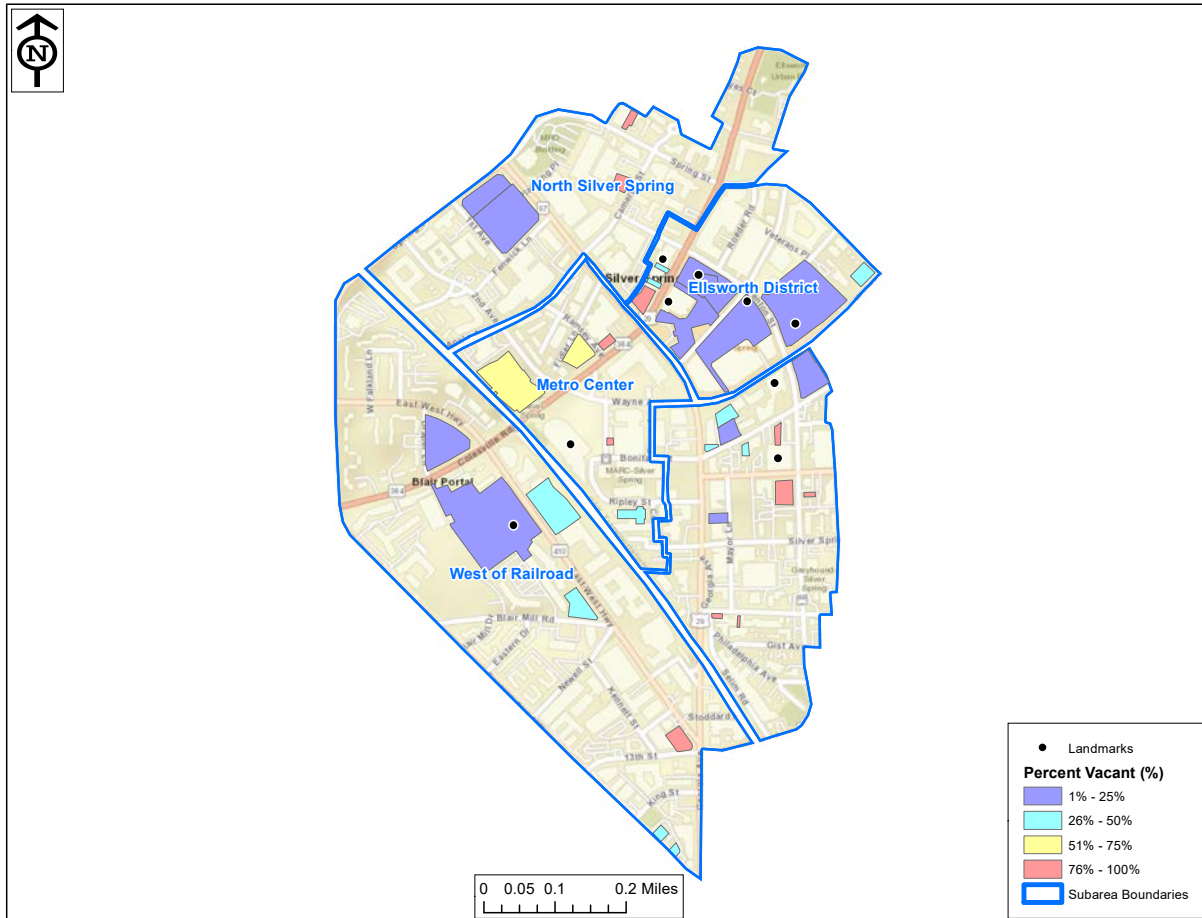
Some of the vacant spaces are in newly built residential buildings and are still in the process of being leased up. Other vacancies reflect national retail trends as sales shift from traditional brick-and-mortar stores to e-commerce. Particularly hard hit have been standard “commodity” retail goods that one does not need to see or touch or try on before buying, such as books, music and electronics.

⁷ This vacancy space estimate differs from CoStar’s estimate by including retail space in residential and office buildings.

The second major trend impacting retail has been the over-retailing of America. PwC estimates that the U.S. has 23.5 square feet of shopping center space for every man, woman and child, the country has more retail space than it can reasonably support – more than five times as much as in European countries. Since the 1980s, aggressive expansion programs and mergers have left many retail chains with high levels of debt and poorly positioned to weather an economic downturn. Several major chains have faltered as their sales have failed to grow as quickly as needed to support those debt levels. Chain bankruptcies and closures have reduced the number of candidate retailers to fill new and existing vacancies.



Map 5 – Downtown Silver Spring Vacancies



Impact of the Pandemic

The COVID-19 pandemic is affecting almost all downtown retailers through a combination of factors:

- public health mandates that closed businesses for multiple weeks and continue to constrain operations through limits on occupancy and hours of operation;
- closures of key entertainment facilities and cancellation of events that traditionally draw crowds to downtown and customers to local restaurants and retailers;
- the reluctance of many customers to risk exposure to the virus by shopping or dining out;
- the many office workers not in the area on weekdays as they work from home;
- the lesser need for goods and services associated with office work, such as new clothes and dry-cleaning services when working at home; and

- the reduced consumption as a result of financial hardships and loss of income experienced by many of downtown’s customers whose work hours have been cut or eliminated, particularly lower-income workers.

At the same time, area grocery stores have thrived as people shift to eating at home, while most downtown Silver Spring restaurants and shops have shifted to deliveries and carry-out orders to maintain a level of operations.

Some retailers and restaurateurs remain uncertain whether they will be able to maintain their businesses financially until customers start eating out and shopping in greater numbers and operations return to normal. Most at risk are restaurants forced to restrict indoor operations and rely on outdoor seating, especially as cooler weather approaches.

During the pandemic, the following stores closed in downtown Silver Spring: Addis Adaba Ethiopian Restaurant; Abol Ethiopian Restaurant; Pho Hiep Hoa; Khyber Kitchen; Not Your Average Joe’s; New York & Company, Jimmy John’s; Hair Cuttery; iStar Coffee; Willow Street Yoga; and Next Day Blinds. In just the one month since the initial field inventory in August, five more establishments closed – Sergio Italiano Ristorante, Eggspectation, Revere Bank, Sprint and Washington Sports Club. Despite the tough market conditions, entrepreneurs continue to seek out downtown opportunities:

- Don Pollo is opening on Ellsworth Drive;
- Koite Grill has expanded from College Park to open in the former Abol space on Colesville Road;
- Kao Thai’s owners have opened Sweeteria Dessert Cafe in adjacent space on Colesville Road;
- the new Spice Street Indian restaurant is opening in October on Georgia Avenue;
- &Pizza and Lifestyles Nail Bar have signed leases for space in the Central apartment building at Wayne Avenue and Fenton Street; and
- a lease has been signed that will bring MOM’s Organic Market to the new development at 8787 Georgia Avenue.

The County provided Public Health Emergency Grants, Reopen Montgomery Grants and Microenterprise Stabilization Grants to help local small businesses with up to 100 full-time-equivalent employees to weather the storm. Provisions were made for using street space for outdoor eateries (“streeteries”) as well as allowing restaurants to sell beer and wine for off-premises consumption and designating no parking zones to facilitate curbside parking.

Most of the landlords have been working with tenants with rent deferrals and other measures.

Arts and Entertainment

Downtown Silver Spring’s emerging retail and entertainment hub is anchored by the AFI Theatre, a new black box theater built as part of the new AFI facilities, the Civic Building



and the Fillmore, a 2011 adaptive reuse/reconstruction of the JC Penney building to create a 2,000-person venue for concerts and other events. Formerly operated by Round House Theater, the black box is now operated by a consortium of four small, diverse theaters. Round House continues to operate an educational program to train young people in theater arts. The presence of Discovery Communications attracted additional filmmakers and supporting services to the area. Urban One, a media conglomerate, relocated to Silver Spring from Lanham, Maryland. The Civic Building includes the Betty Mae Kramer Gallery for rotating art exhibits, the Arts & Humanities Council of Montgomery County and a major flexible space suitable for cultural presentations and meetings. Just south of the study area are the Montgomery College Cultural Arts Center and the Morris & Gwendolyn Cafritz Foundation Arts Center. More than 50 arts and humanities organizations, arts venues and entertainment businesses are located in the Arts and Entertainment District. The Maryland Youth Ballet operates in second-floor space in the Downtown Silver Spring development as does the Akhmedova Ballet Academy. The Silver Spring Library facility also hosts Levine Music and the Gandhi Brigade Youth Media organization. Regal Majestic offers first-run movies, and Veterans Plaza hosts seasonal ice skating.

The Fillmore brings a mix of national, regional and local acts. In 2019, it had 225 events with 185,000 attendance; attendance has increased every year since its opening. Most fans come from Washington, Maryland and Virginia with Silver Spring residents maybe five percent of the audience. Many come from Howard County, Prince George's County and Baltimore. For the right artist, fans will come from Pennsylvania, Delaware and even Ohio.

Many of the Fillmore's national acts appear on Tuesday or Wednesday nights on their way to weekend performances in New York City. The concert venue has been completely shut down since March 2020 in keeping with COVID-19 restrictions. Its activity has helped put Silver Spring on the map, bringing in both fans and artists, who were not used to leaving Washington. Fans saw the ease of access with Metro and three garages with about 2,000 spaces of free parking within two blocks of the venue. Metro's problems led to restricted nighttime hours, making it harder for fans to rely on Metro to get home. They now have to drive or use ridesharing.

Walkability is reported to be an obstacle in downtown Silver Spring at night. Though there are pockets of activity on Ellsworth, Fenton and here and there on Georgia Avenue, there are long dark walks in between. Fans can't see the activity on Ellsworth and may not know it's there.

AFI had a little over 200,000 attendees last year. They show 700 films per year with 5,000 shows. Their festivals include the European Union, Latin American, Caribbean, New African and Film Noir festivals. Silver Spring is a good location for these ethnic offerings.

Their fans come from Maryland and DC with Virginia somewhat behind, depending on the film. Generally, the theater has a regional draw with most people coming from within 20 miles, particularly true for first-run films. This part of the county is underserved with

entertainment so many are drawn to downtown Silver Spring from across the metro area. Many fans come from Baltimore and the US 29 corridor. The Noir fans will come from all over the mid-Atlantic, staying overnight on the weekends.

In addition to films, AFI hosts a series of daytime meetings for groups like radiologists who come from around the world to learn how to read high-def scans. They may have 300 to 400 attendees in Silver Spring for a month. Private events generated 30,000 hotel room-nights for Silver Spring hotels in 2019.

A future phase of this market analysis will focus more intensively on evaluating the arts and entertainment uses in downtown Silver Spring once the COVID pandemic restrictions are eased.

Sales Analysis

Downtown retailers currently do a good job of meeting the demand from nearby residents and downtown workers. There are few obvious gaps in the retail offerings, and the vacancy rates suggest an over-supply of retail space.

Infogroup estimates total downtown Silver Spring retail sales at \$467 million and Primary Trade Area sales at \$636 million for the three major retail categories, as shown in Table 3 and detailed in Appendix Table A-8.

Industry Group	PTA Demand (Retail Potential)	PTA Sales	Downtown Sales	Retail Gap (PTA Demand Less Downtown Sales)
Neighborhood Goods & Services	\$302,590,981	\$336,005,415	\$244,648,623	\$57,942,358
Food & Beverage	\$139,816,974	\$126,008,789	\$93,199,092	\$46,617,882
Shoppers Goods / GAFO	\$464,340,130	\$173,662,292	\$129,031,933	\$335,308,197
Total Retail Sales	\$906,748,085	\$635,676,496	\$466,879,648	\$439,868,437

Source: ESRI, Retail Marketplace Profile, 2020; Partners for Economic Solutions, 2020.

Looking at expenditures by PTA residents provides insights into the nature and extent of demand. Shown in Appendix Table A-8, ESRI estimates that PTA residents spend \$303 million on NG&S in groceries and drugstores. Comparing expenditures and downtown sales shows that expenditures exceed downtown sales by \$58 million – not all of the PTA residents are spending their NG&S dollars in downtown Silver Spring. Comparing PTA residents' expenditures to sales throughout the PTA shows a sales surplus of \$33 million over residents' spending, suggesting that the stores in downtown and the rest of the PTA attract customer sales from beyond their respective boundaries, benefitting from "sales inflow." (See Appendix Table A-9.) That indicates limited unmet demand for new grocery stores and drugstores unless they represent a particular niche not served well by existing retailers, or if the location of the new store is near the edge of the trade area and could attract sales from other shoppers living outside the trade area.

The balance is different for Food & Beverages where PTA residents' \$140 million in annual spending exceeds both downtown and PTA sales. The excess of expenditures and sales is referred to as a "retail gap" or "sales outflow," that is, dollars that might be captured by downtown retailers with the right mix of stores. The \$47 million gap between PTA expenditures and downtown sales suggests an opportunity for additional restaurants, bars and food outlets. The retail gap is smaller when all PTA establishments are considered -- \$14 million less than total expenditures. However, this potential demand may be modest as it is common to experience outflow in this category with residents eating near their offices outside the PTA, on vacations and or during regular travel outside the PTA. Downtown Silver Spring sales include sales to downtown workers as well as to patrons of downtown's entertainment venues and events who live outside the PTA, generating inflow that offsets some of the outflow of PTA residents' dollars to other locales.

The largest gap lies in GAFO spending and sales. PTA residents' expenditures of \$464 million greatly exceed downtown sales by a total of \$335 million. That gap suggests potential opportunities to expand downtown's GAFO sales but also reflects the competitive strength of other retail clusters. Westfield Wheaton, Montgomery Mall, Columbia Mall, downtown Bethesda, Friendship Heights, Tysons Corner and downtown Washington retailers attract Silver Spring residents by providing a wide variety of available goods and retailers, allowing for greater comparison shopping. That competition as well as that offered by e-commerce constrain downtown's ability to increase its "capture" of residents' expenditures and increase its base of retail sales.

Future Potentials

Downtown has competed well over the last 15 to 20 years due to its mix of retailers and restaurants, its ambiance as a vibrant mixed-use district, its density of residents within walking distance of the retail core and the continual programming provided by the Silver Spring Town Center, Inc., Downtown Silver Spring, the Silver Spring Urban District, the Fillmore, AFI Silver Theatre and Regal Majestic Theater. The mix of national brands and unique independent restaurants and stores help to attract a variety of customers from different backgrounds, incomes and age groups.

Going forward, downtown will face some additional competition from the new retail development on the site of the former Walter Reed Army Medical Center anchored by a new Whole Foods store two miles to the south, which may intercept some Northwest Washington residents who currently shop in downtown.

Given the rapid evolution of retailing and the effects of the COVID-19 pandemic, the future is not yet clear. In part, downtown's continued vitality will depend on the ability of its retailers and restaurants to survive the restrictions imposed by the public health crisis. The loss of major entertainment draws and the limits on late-night hours are straining all of the operators, who have seen sales drops of 40 to 80 percent or more. Downtown will face a major challenge if it loses 20 to 40 percent of its restaurants. In a September survey of

restaurant operators conducted by the National Restaurant Association, 40 percent thought it unlikely their restaurant would still be in business in six months without additional relief funding.⁸

The fact that downtown has continued to attract new restaurants over the last year is a positive sign that underlying demographics and growing base of close-in residents will fuel a future recovery once there is a vaccine and a return to “normalcy.” As of August 2020, downtown had an estimated 143,300 square feet of vacant retail space⁹ in 48 spaces as shown in Table 2. Based on the average net absorption of 10,300 square feet of space from 2017 through 2019 prior to the pandemic, this represents a 7.6-year supply of vacant space in excess of a healthy 5.0-percent vacancy level. The excess vacant space could be drawn down more quickly if additional retail buildings are demolished to make way for residential development.

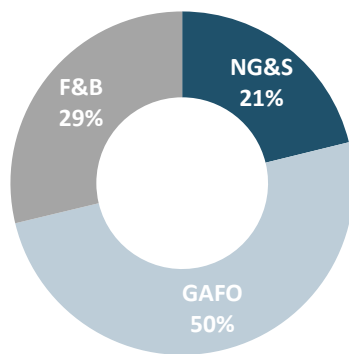
Retail Subareas

For each of the five retail subareas, retail conditions vary based on the local environment, historical pattern of development and access to different customer groups. The set of factors described below by subarea offers comparisons across subareas.

Ellsworth District

With 577,000 square feet of retail space, the Ellsworth District is downtown’s primary retail cluster.

This subarea consists of a large percentage of GAFO or shoppers goods, most typically found in department stores — which reflect Ellsworth Place’s and Downtown Silver Spring’s national retail chains such as Marshalls, Michaels, Burlington, Ross Dress for Less, TJ Maxx, DSW Shoes, Ulta, and Anne Taylor Loft. This subarea provides a cluster of retailers most commonly found in lifestyle centers or shopping malls.



This subarea attracts customers coming from the District of Columbia and from outside the Beltway to both the east and

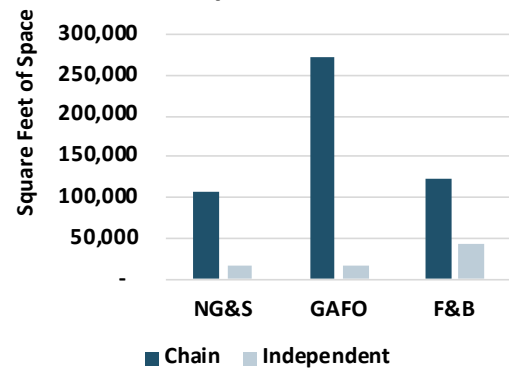
⁸ National Restaurant Association. “100,000 Restaurants Closed Six Months into Pandemic,” 14 September 2020 press release. Accessed at: <https://restaurant.org/news/pressroom/press-releases/100000-restaurants-closed-six-months-into-pandemic>

⁹ This vacancy space estimate differs from CoStar’s estimate by including retail space in residential and office buildings.

west of downtown Silver Spring's borders, in addition to serving local residents. Daytime employees and visitors are an important component of the success of the retail within the Ellsworth subarea. These employees and the increase in the daytime population reflect not only a stable customer base for retail but attract from a broader community as a one-stop shop for multiple shopping needs and food and beverage purchases. The drawdown in employment levels at Discovery Communications impacted local restaurants, reducing their lunchtime and happy hour business.

The mix of retail uses within the Ellsworth District differs from the rest of downtown in its concentration of national chain retailers and smaller component of independent retailers: 94 percent of all GAFO space in the Ellsworth District consists of chain operations. Not unexpectedly, there is greater representation of independent businesses in the food and beverage sector, comprising 26 percent of all restaurant space in the Ellsworth District.

Ellsworth Retail Space by Type and Chain/Independent Operation



280

Total Businesses



3,099

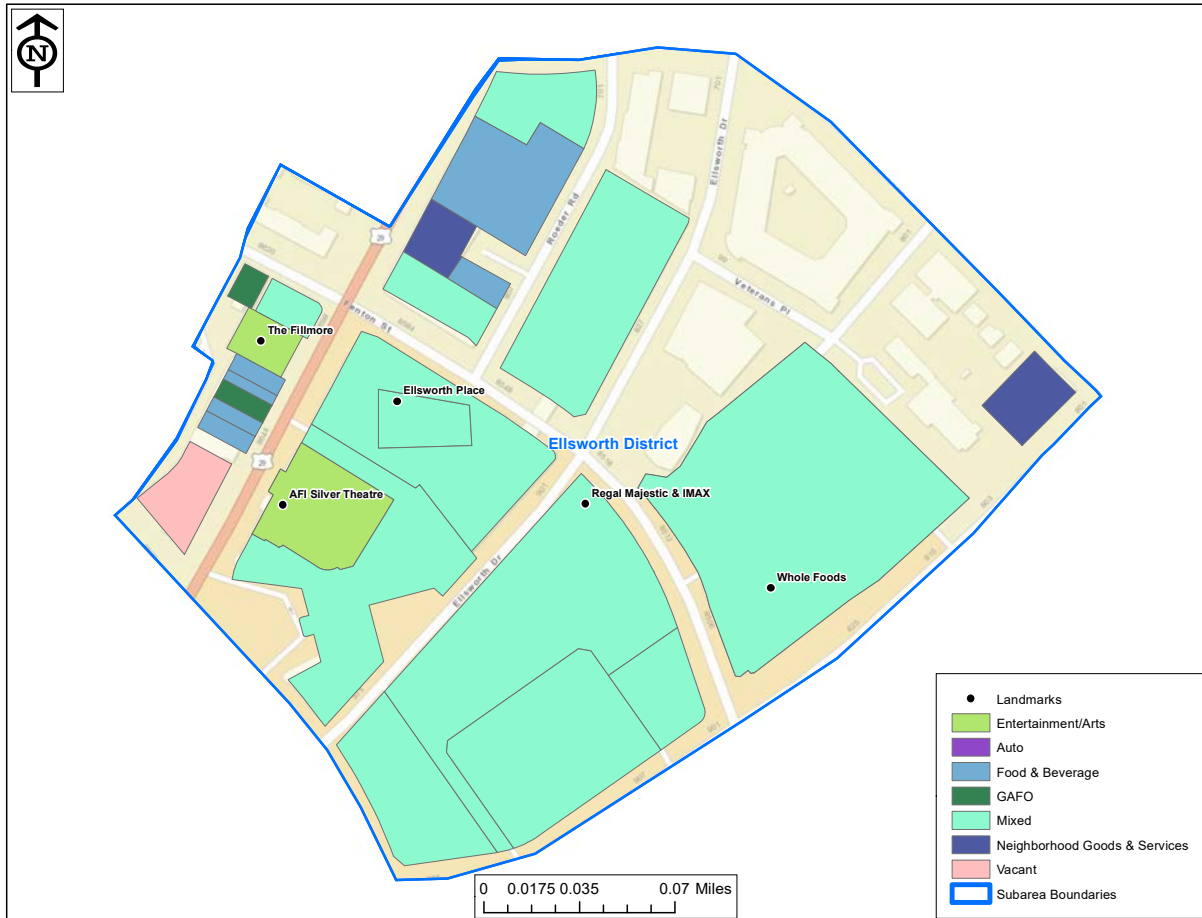
Total Employees



2,492

2019 Total Daytime
Population

Map 6 – Ellsworth District Retail Tenancy by Type

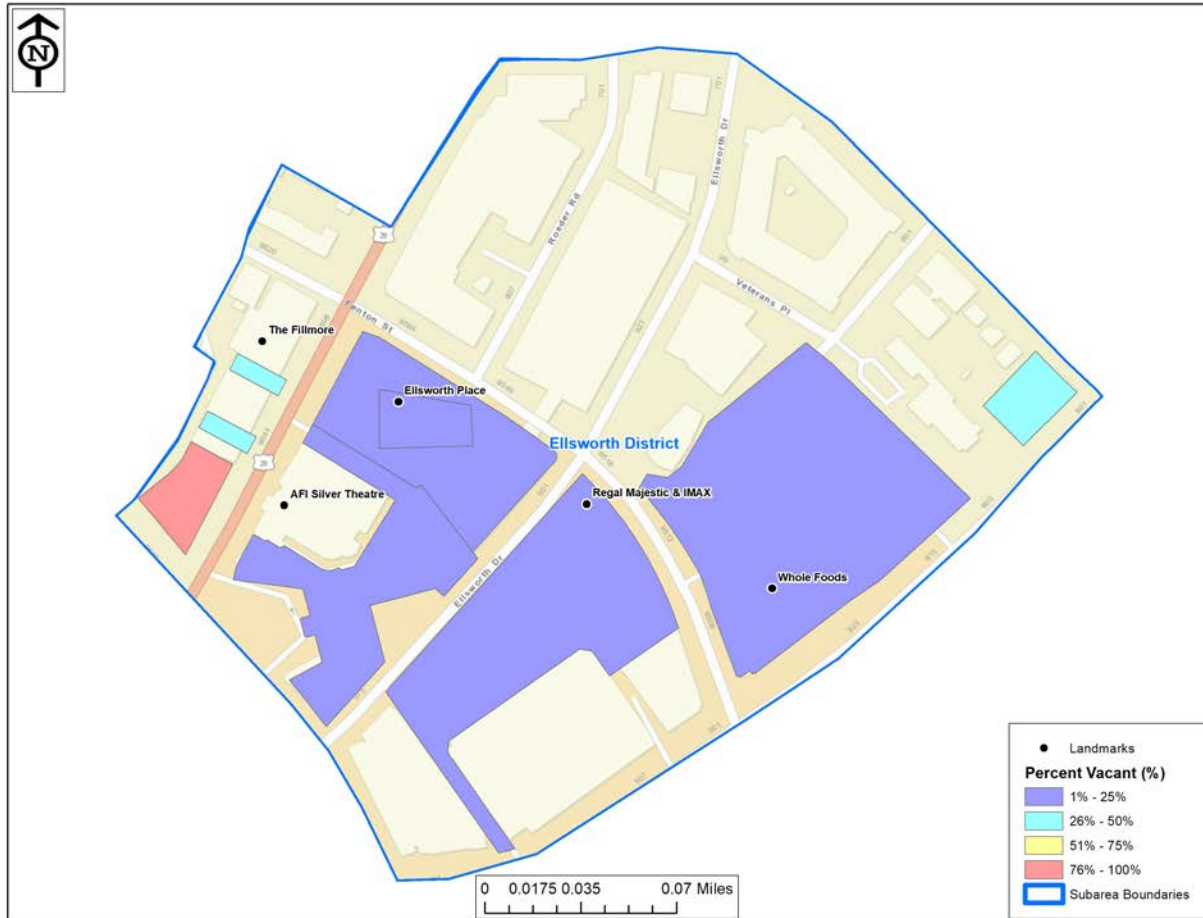


As retail space contracts through the nation, the Ellsworth District will suffer from closures of larger national chains as they seek to downsize to remain viable.

At 13 percent or 88,235 square feet, the vacancies within this subarea already exceed the vacancy rate of the entire study area. The Downtown Silver Spring development was hit by the pandemic as well as retail chain bankruptcies and strategic decisions with vacant space increasing from 4 to 9 percent in 2020. New York & Co., Next Day Blinds and Washington Sports Club declared bankruptcy while Eggspectation decided to shrink to just one outlet in Ellicott City. After Sprint merged with T-Mobile, the two Silver Spring offices were consolidated into one space on Colesville Road. Vacancies are higher in Ellsworth Place, estimated at 12 percent, which reflects its long-term struggles to maintain full occupancy attributed to its inward-facing mall layout.

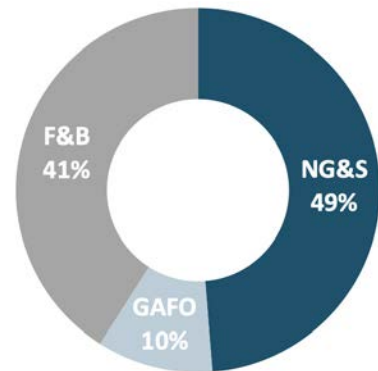
A review of the spatial distribution of current vacancies on the following map shows that vacancies extend over most of the District's retail properties.

Map 7 – Ellsworth District Retail Vacancies, 2020

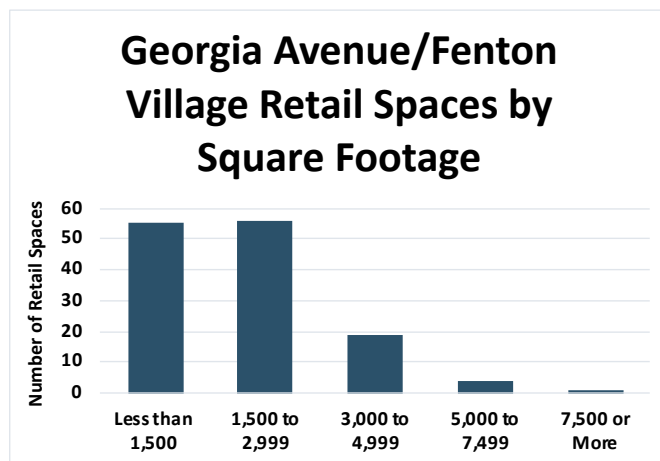


Georgia Avenue / Fenton Village

The Georgia Avenue corridor's historic real estate development pattern followed the predominant automobile route with businesses developing along the corridor to serve commuters and residents. Recent traffic counts estimate average daily traffic volume of 40,000, according to CoStar. Over time, the side streets connecting to Fenton Street attracted retail businesses including restaurants, cafes, and service providers interested in the same market segment. In total, the more than 246,000 square feet of occupied retail space consists of 58 Neighborhood Goods & Services establishments, totaling 120,330 square feet and 52 restaurants with more than 101,000 square feet of space. Eleven GAFO stores occupy 25, 500 square feet. Not included in this total are the multiple auto service establishments focused on the southern end of Fenton Village, which are discussed in detail in Section IV.



As a result of the historic development pattern, most of the Georgia Avenue/Fenton Village retail space was built prior to 1970. All but one of the retail spaces is small with less than 7,500 square feet. The large number of smaller retail spaces provides entry points for many entrepreneurs interested in affordable rents and locations.



Due to the age and size of the subarea's buildings, many parcels have relatively low values. Those lower values create opportunities for property assembly to support major new residential and mixed-use development to replace the existing buildings. More than 80,000 square feet of retail space has been removed since 2006. The new developments typically include first-floor retail space; however, the higher rents required to support the costs of new construction attract a different mix of retailers focused on serving the residential tenants with fitness and other

service operations. New restaurant spaces have been created, but only one has been tenanted to date. The Urby Silver Spring development on Fenton Street and Silver Spring Avenue is under consideration; it is proposed to include apartments and up to 8,500 square feet of retail space. A Fenton Street Village Center has been proposed to include new retail space at 8227 Fenton Street.



413

Total Businesses



4,579

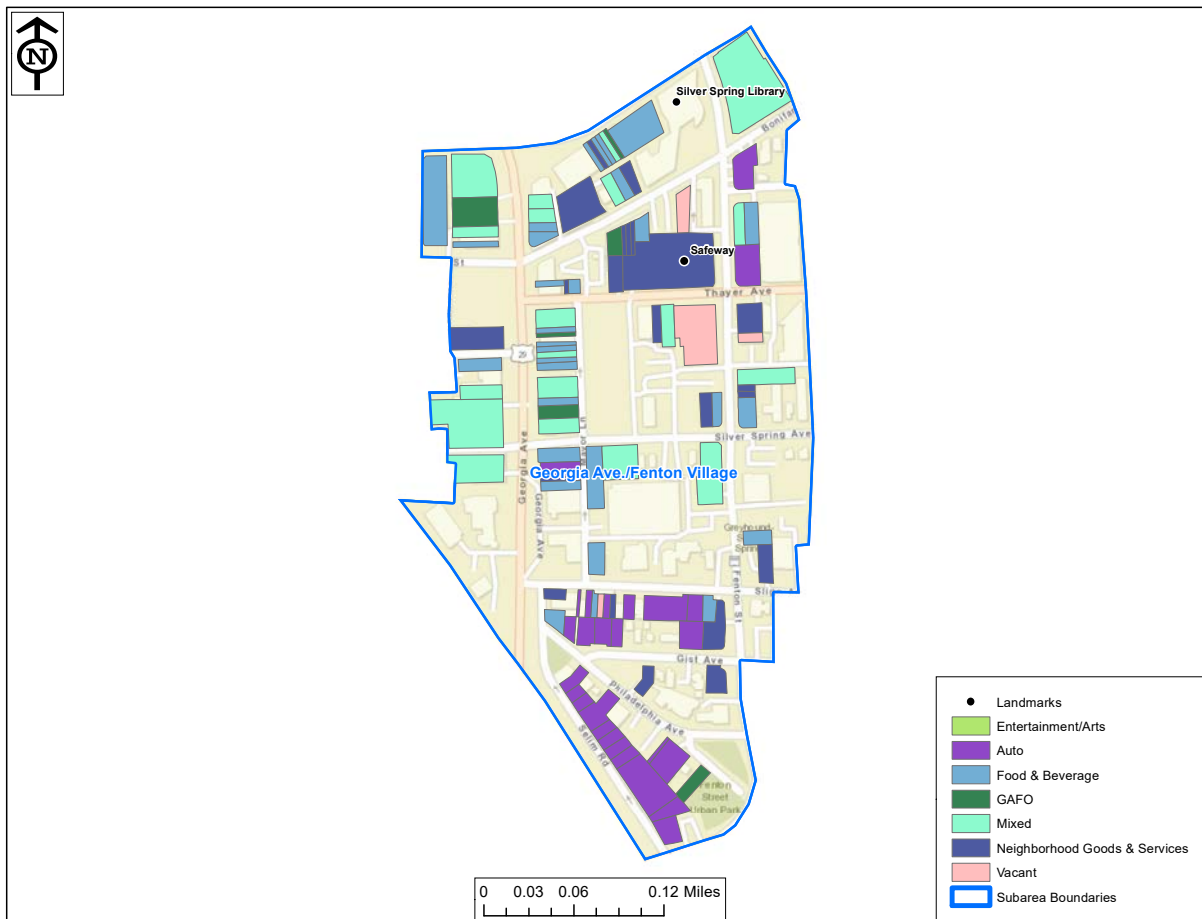
Total Employees



1,916

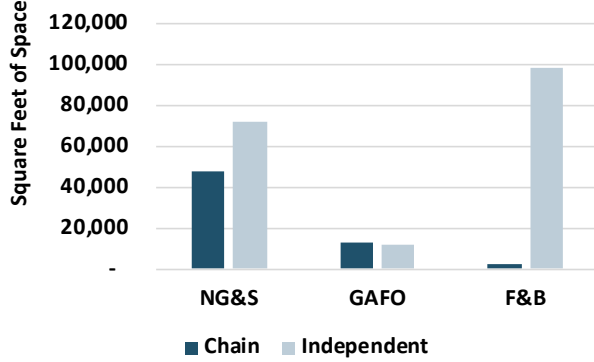
2019 Total Daytime
Population

Map 8 – Georgia Avenue/Fenton Village Retail Tenancy by Type



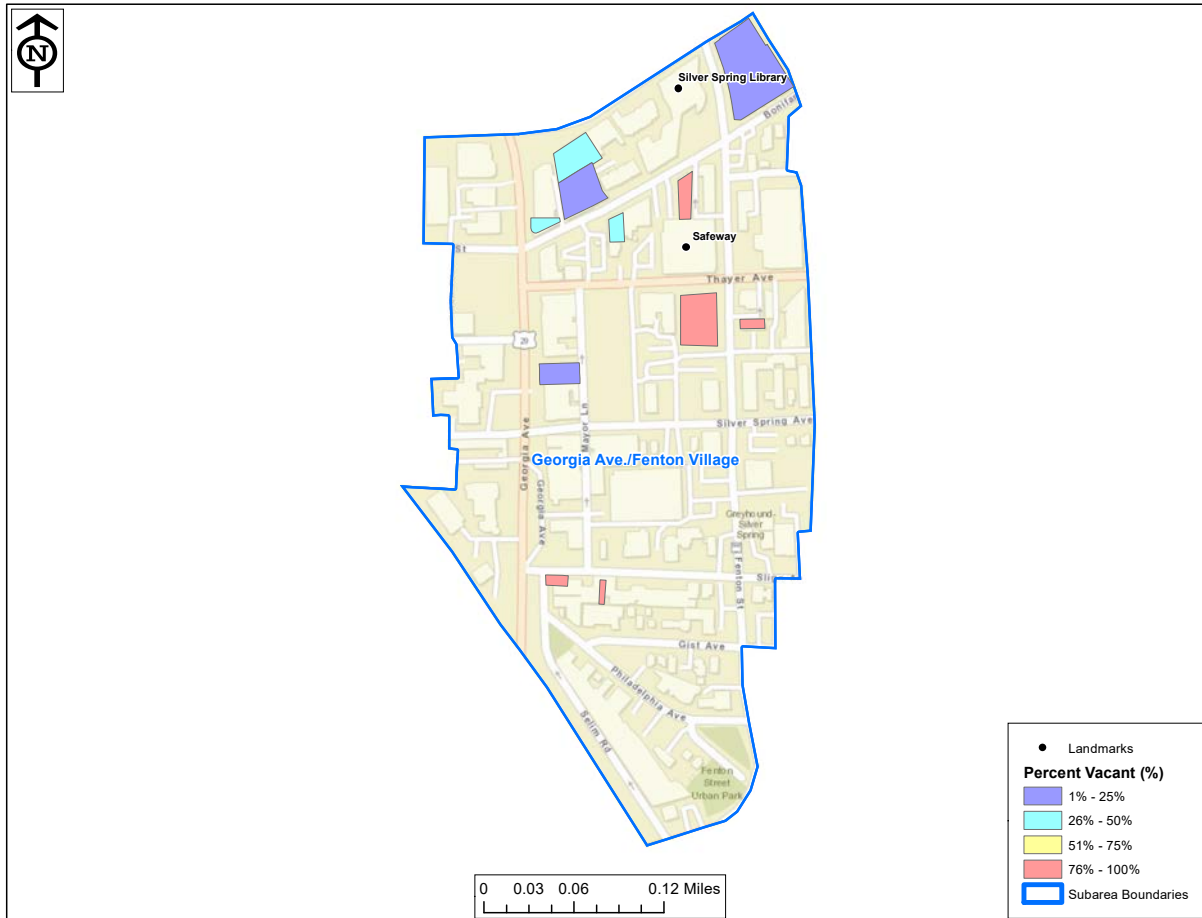
As would be expected, most of the subarea's businesses, especially the restaurants are local independent operations, which account for all but two of the restaurants and 98 percent of the space in the Food and Beverage retail category. A wide variety of ethnic restaurants and other small retail and service establishments target Silver Spring's many ethnic communities, most notably Ethiopian Americans.

Georgia Ave / Fenton Village Retail Space by Type and Chain/Independent Operation



This retail cluster along Georgia Avenue and in the Fenton Village area represents a relatively healthy set of businesses with a current vacancy rate of 4.9 percent. Many of the businesses would be considered legacy businesses with a presence in the community for more than 30 years and a well-established customer base. The Purple Line construction has impacted Bonifant Street and some of its businesses.

Map 9 – Georgia Avenue/Fenton Village Retail Vacancies



Metro Center Retail

The Metro Center retail subarea with less than 50,000 square feet of occupied retail space presents specific challenges as it attempts to capitalize on Metro commuter traffic, nearby office workers and vehicular traffic along both Colesville and Georgia Avenue. As a retail subarea, the market struggles to fill vacant retail space with the highest vacancy rate of any subarea at 21.9 percent. Some of the problems relate to the design of major retail spaces in office buildings along Colesville Road. Silver Spring Metro Plaza benefits from adjacency to the Metro station but half its retail space is on an upper-level plaza not particularly visible to pedestrians exiting the Metro. Attraction of Silver Branch Brewery to the plaza has helped to create greater activity, which should help into the future. The Argent Spring building at 8455 Colesville Road has large retail spaces set back farther from the sidewalk than is typically considered ideal.

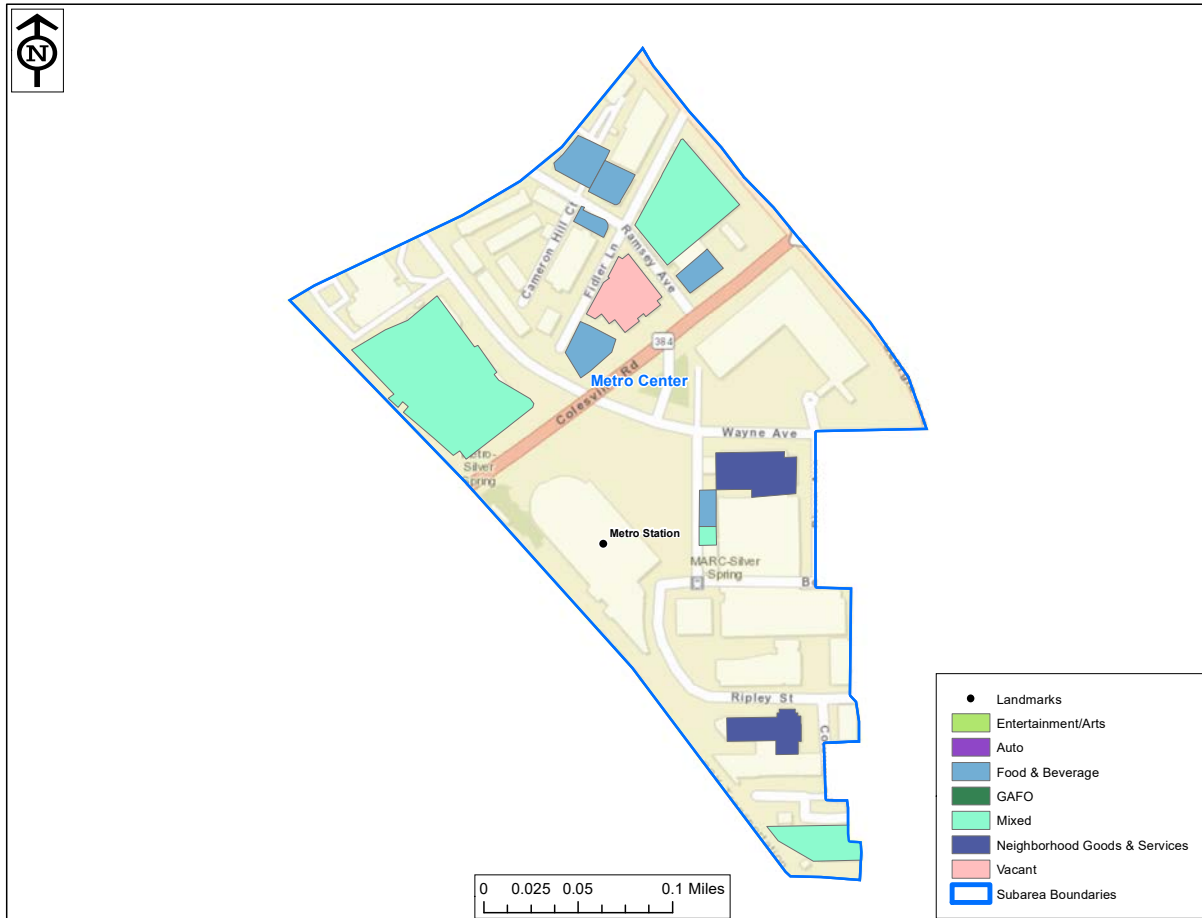
Pedestrian activity between the Metro and Georgia Avenue is largely limited to commuters coming to and from the Metro. That distance creates a significant psychological gap, so that

few shoppers frequent that part of downtown. Though decorated with a major mural, the Inventa Towers building presents Colesville Road with a garage entrance and no other ground-floor activity to engage passers-by. There are few draws in the Metro Center area that bring casual shoppers to the area.

The majority of the occupied retail space represents food and beverage establishments.

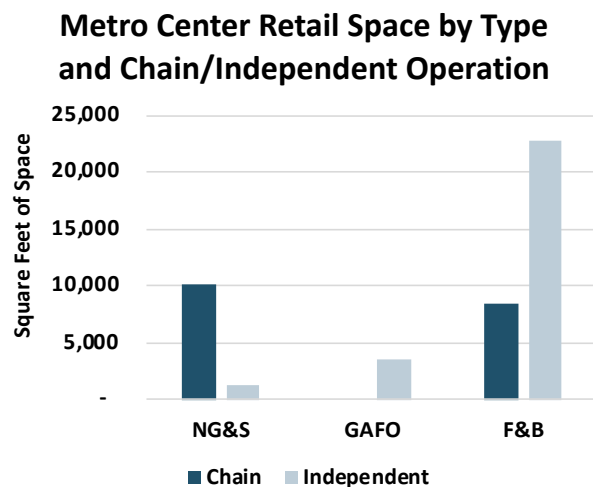


Map 10 – Metro Center Retail Tenancies by Type

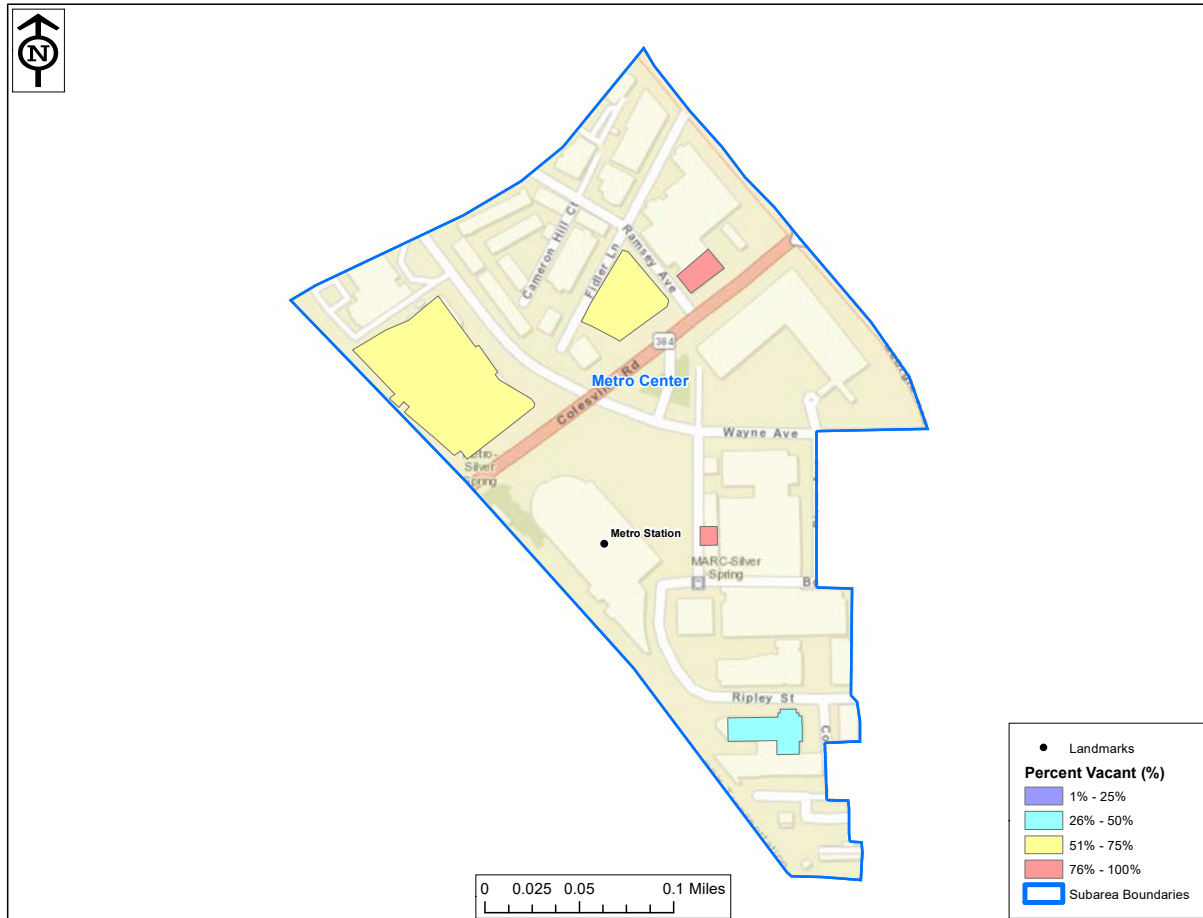


The majority of food and beverage space consists of independent operations.

Vacancies are focused in a small strip center along Colesville Road. The four vacancies represent one-quarter of the District's retail space.

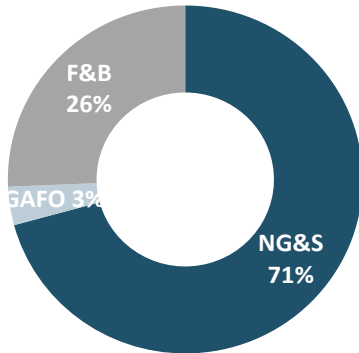


Map 11 – Metro Center Retail Vacancies



North Silver Spring Retail

The North Silver Spring subarea does not operate as an independent retail cluster but an extension of the Metro Center and Ellsworth District along Fenton Street. In total the 42,000 square feet of retail space maintains a healthy occupancy level of 90 percent.



Seventy-one percent of the retail space is categorized as Neighborhood, Goods and Services, which includes a Walgreen's and other convenience operations. Much of the retail space is located on the first floor of two major apartment buildings with most businesses providing personal services and/or convenience retail goods.



544

Total Businesses



6,904

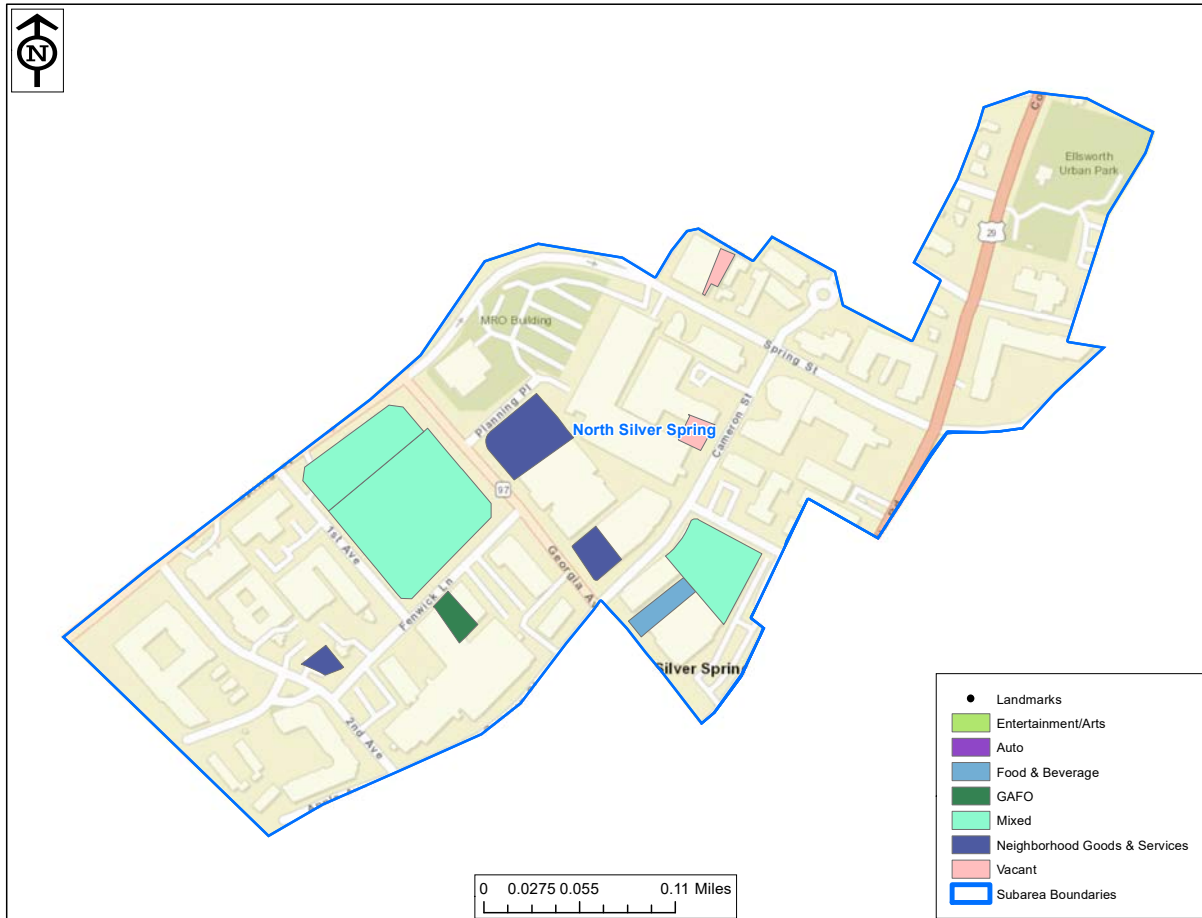
Total Employees



4,737

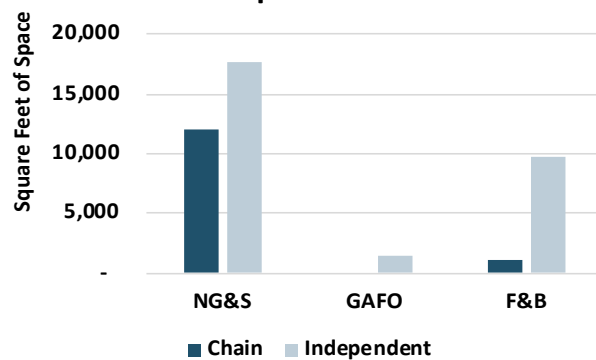
2019 Total Daytime
Population

Map 12 – North Silver Spring Retail Tenancies by Type

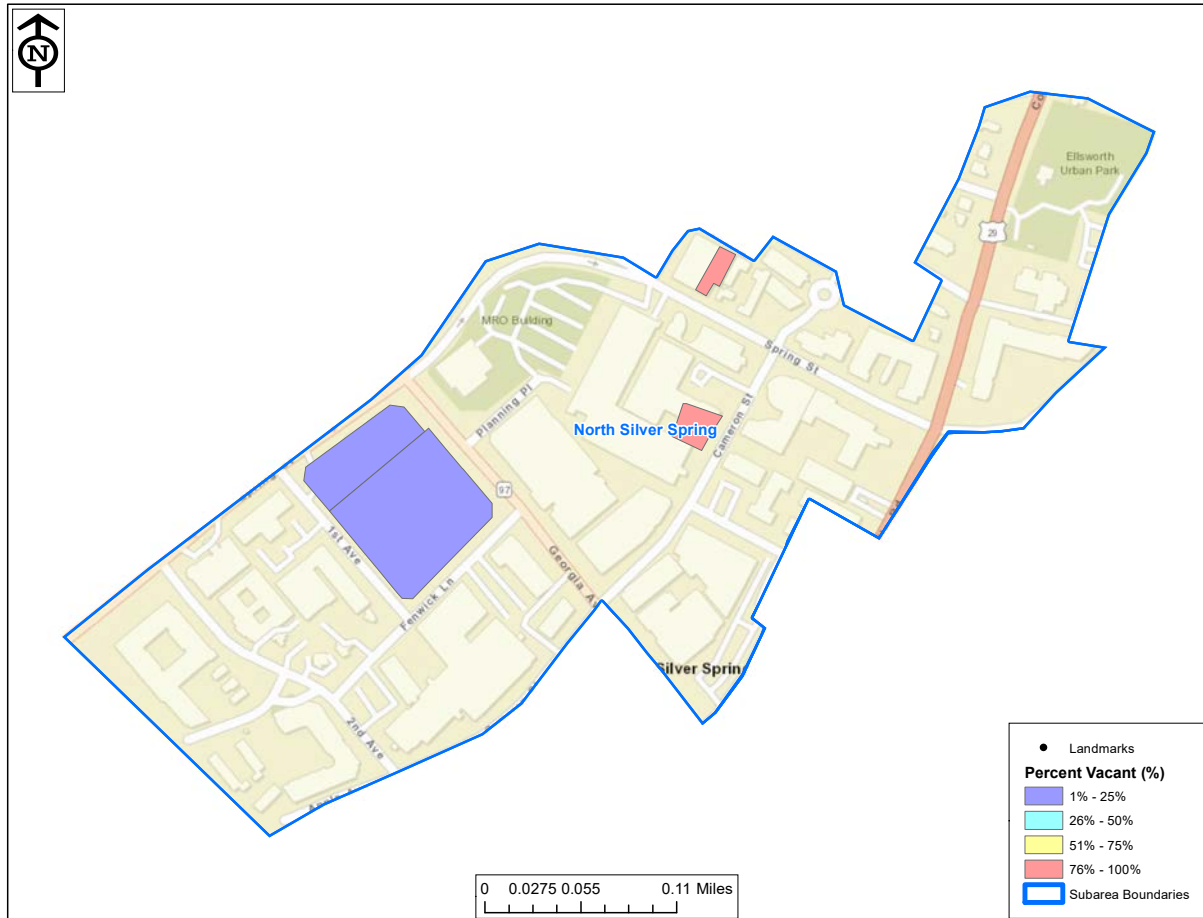


Independent businesses predominate comprising 83 percent of all retail and occupying 69 percent of the retail space.

North Silver Spring Retail Space by Type and Chain/Independent Operation

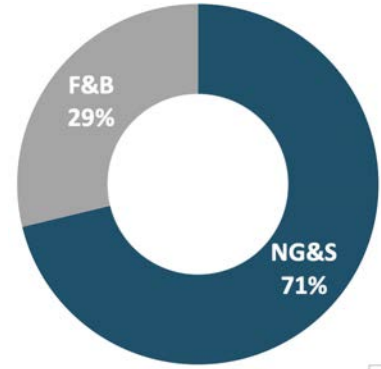


Map 13 – North Silver Spring Retail Vacancies



West of the Railroad Retail

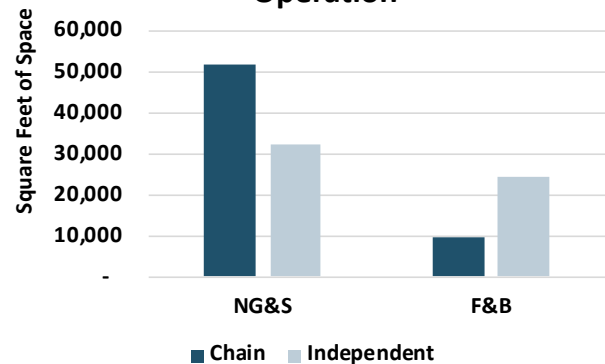
The retail market in the subarea west of the railroad reflects one large shopping center, smaller outposts of retail operations including a gas station and convenience retail and a cluster of small businesses along Georgia Avenue and Eastern Avenue at the District line. The subarea has a total of 118,000 square feet of space occupied by traditional retail types, excluding banks, offices and auto service operations. The fully-leased Blair Park shopping center is anchored by Giant Food and a CVS pharmacy and several restaurants and service operations; Neighborhood Goods & Services retailers dominate the offerings with 71 percent of the space with the remaining space occupied by Food & Beverage businesses.



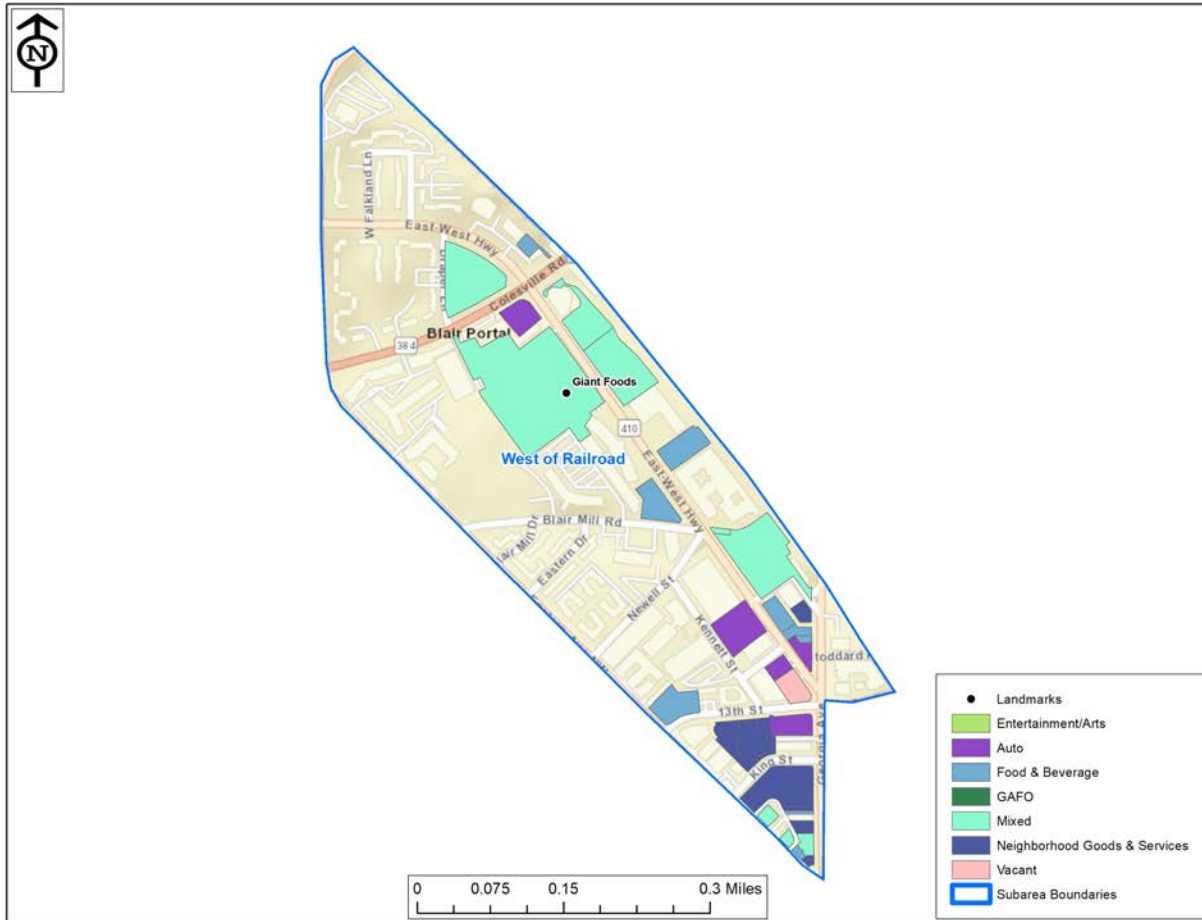
The retail businesses near the District line include many targeted to international and Black customers; most are minority-owned and operated. These businesses include restaurants, specialty markets, personal services and convenience retailers. They benefit from proximity to Target, which is located just across the line. New space has been built but not yet tenanted along Eastern Avenue in the District.

Just over half of the occupied retail space and one-fifth of the businesses are chain stores, primarily Giant Food and CVS.

West of Railroad Retail Space by Type and Chain/Independent Operation

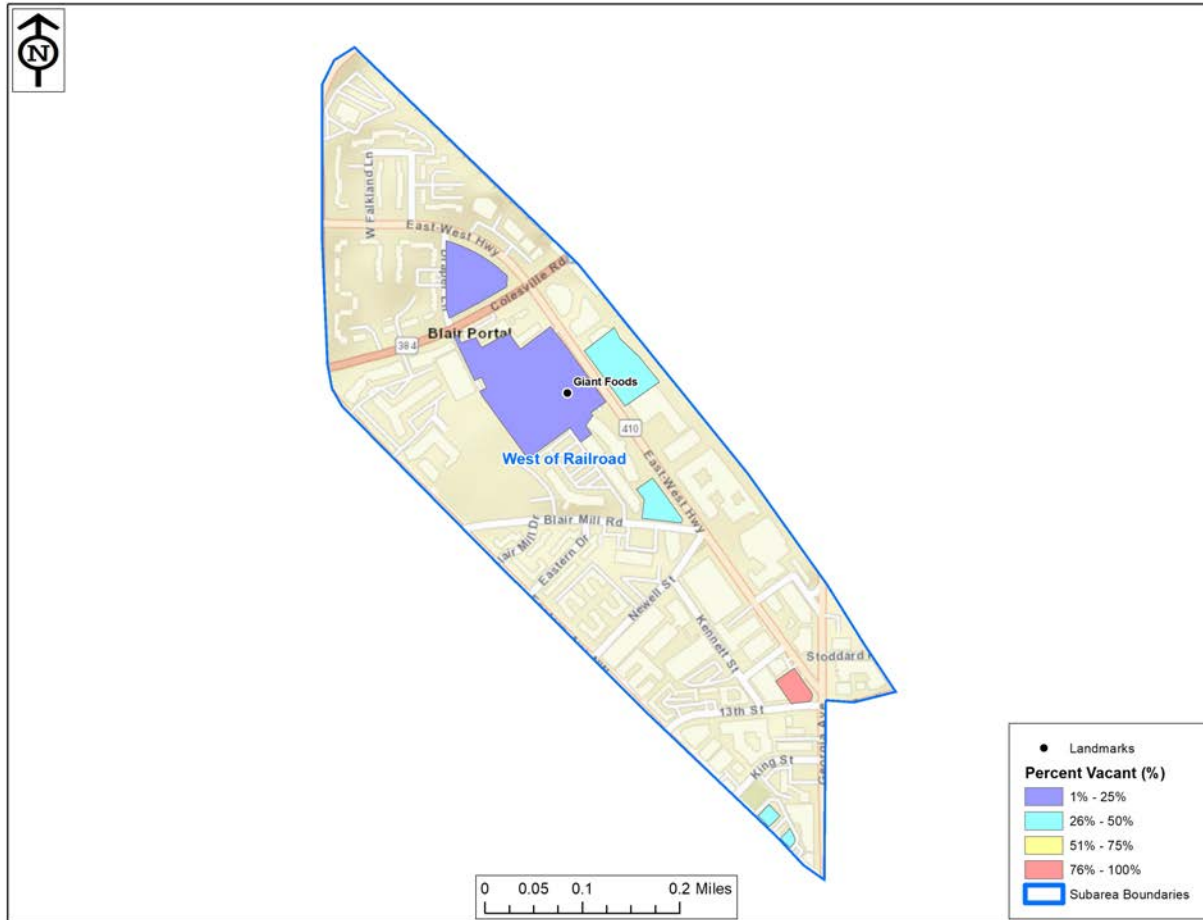


Map 14 – West of the Railroad Retail Tenancies by Type



The 13,500 square feet of vacant space represent 8.8 percent of all retail space. Vacancies are highest in office buildings and apartments facing East West Highway. Several of the vacancies appear to be recent, perhaps related to the impacts of COVID-19.

Map 15 – West of the Railroad Retail Vacancies



III. Office Conditions

The regional and county office markets have suffered from high vacancies since the Great Recession of 2008-2009 as demand dropped off precipitously while regional developers continued to deliver new office buildings. In 2015, PES prepared an in-depth analysis of office development and absorption trends across the county and the region as a whole.¹⁰ It documented high vacancy rates resulting from myriad forces:

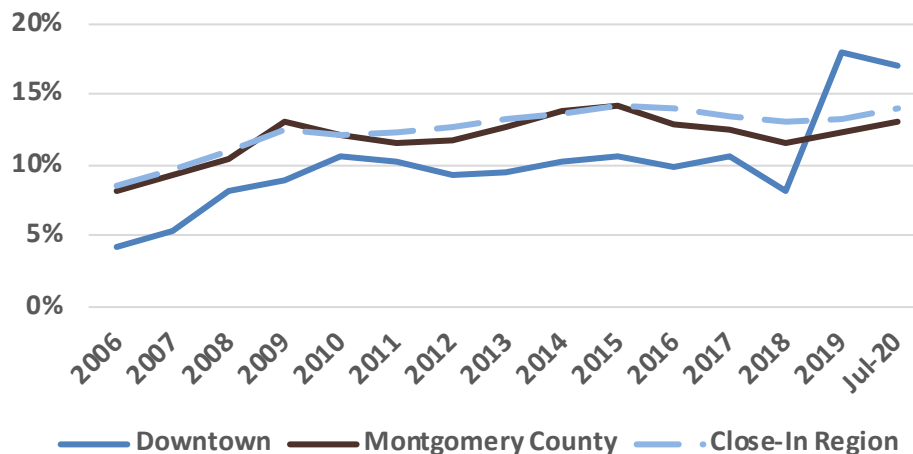
- Federal budget sequestration in 2013 cut government spending and constrained contractor and government office demand. The job growth that followed the Great Recession and sequestration was focused in services, retail and accommodations, economic sectors that do not rely on office space.
- Technology, telecommuting and more efficient use of office space reduced demand by 10 to 15 percent, allowing major tenants to expand their operations while shrinking their office space utilization.
- Federal government initiatives to reduce leases of privately-owned buildings shifted agencies into government-owned space (such as the Food & Drug Administration move to a new campus in White Oak).
- The Base Realignment and Closure Act relocated multiple Department of Defense operations from Arlington and other regional locations, vacating 3.4 million square feet of space regionwide.

As shown in the following graph, vacancy rates reached 12.6 percent in the close-in region¹¹ and 13.0 percent in Montgomery County in 2009, reflecting the impact of the Great Recession coupled with significant increases in the office space inventory. Vacancy rates have stayed high since that time, averaging 13.3 percent in the close-in region and 12.4 percent in Montgomery County in 2019. By November 2020, rates increased to 14.1 percent regionally and countywide with the effects of COVID-19. (See Appendix Table A-10 for historical trend data.)

¹⁰ Partners for Economic Solutions. *Office Market Assessment: Montgomery County, Maryland*. Washington, DC, 18 June 2015. Accessed at: http://www.montgomeryplanningboard.org/agenda/2015/documents/MontgomeryCountyOfficeFinalReport061815_000.pdf

¹¹ Close-in region is defined to include the District of Columbia, Montgomery and Prince George's County in Maryland, and Arlington and Fairfax counties and the cities of Alexandria, Fairfax and Falls Church in Virginia.

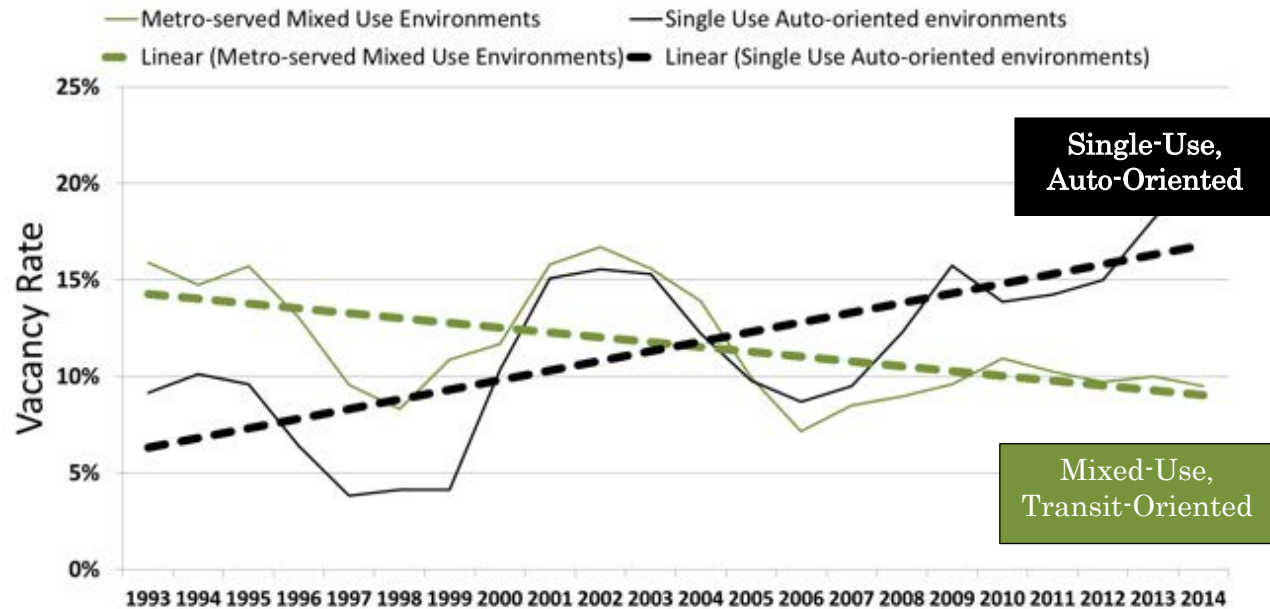
Office Vacancy Rates



The office assessment demonstrated the disparate performance of different types of office space. Office buildings in single-use districts (e.g., business parks) and freestanding sites lagged significantly behind the performance of those in urban mixed-use markets with good transit access and pedestrian-oriented environments like Silver Spring. Comparing vacancy rates from 1994 to 2014 documented a major reversal in the popularity of single-use, auto-oriented office space compared to that in mixed-use, transit-oriented locations. Whereas offices in single-use districts across the county had an average vacancy rate of 9.2 percent in 1994, by 2014 that rate had reached 21.1 percent. At the same time, offices in mixed-use districts near Metro stations, including downtown Silver Spring, reduced their vacancies from 14.5 percent in 1994 to 9.2 percent in 2014.

That dramatic shift can be attributed to changes in the labor market – changing the type of space demanded by the market. As younger tech and other creative workers became more valuable to many businesses' operations, attracting them became increasingly important to the businesses' success. Office location decisions correspondingly began to prioritize access to that labor market and to prioritize the walkable mixed-use and urban environments with rich amenities that Millennials and other young workers desired.

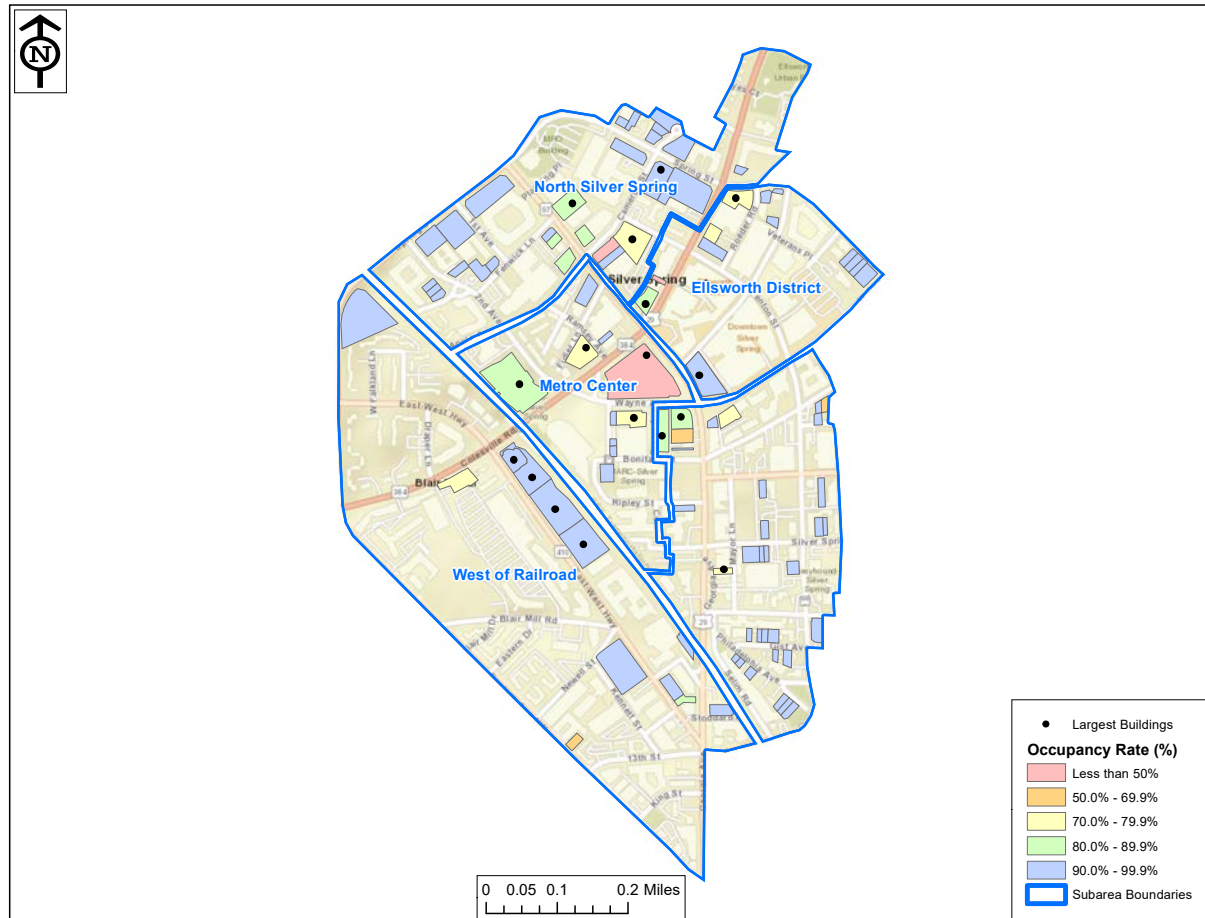
Montgomery County Office Vacancy Rates by Type of Location, 1994-2014



Downtown Silver Spring thrived in that competition as it was rebuilt and redefined through a series of major public/private initiatives. The County worked closely with Discovery Communications, providing significant incentives to convince the company to consolidate its headquarters into a major new office building in the heart of downtown Silver Spring in 2003. Coupled with the Downtown Silver Spring development, City Place Mall and American Film Institute projects, downtown became a more diversified market, moving away from its 9 to 5 environment dominated by government and other office workers. Downtown housing opportunities expanded rapidly starting in 2004, adding 4,800 net new units to 2020 – a 91-percent increase in supply.

Downtown enjoyed office vacancy rates that were two to four percentage points below countywide rates until 2018 when Discovery Communications made the decision to relocate its headquarters to New York City to be more firmly enmeshed within the global media industry. The company sold its 490,000 square-foot headquarters building, now called Inventa Towers, and relocated most of its 1,300 employees while retaining a smaller group in 60,000 square feet at Silver Spring Metro Plaza. With that single move, downtown vacancies jumped from 8.1 percent in 2018 to 17.9 percent in 2019. Inventa Towers' new owners have since backfilled more than half of the available space with leases to Children's National Health System and Ana G. Mendez University System. Geographically, vacancy in downtown's office space is concentrated in the 1980s buildings near the Metro station along Colesville Road and Wayne Avenue, as shown on Map 16.

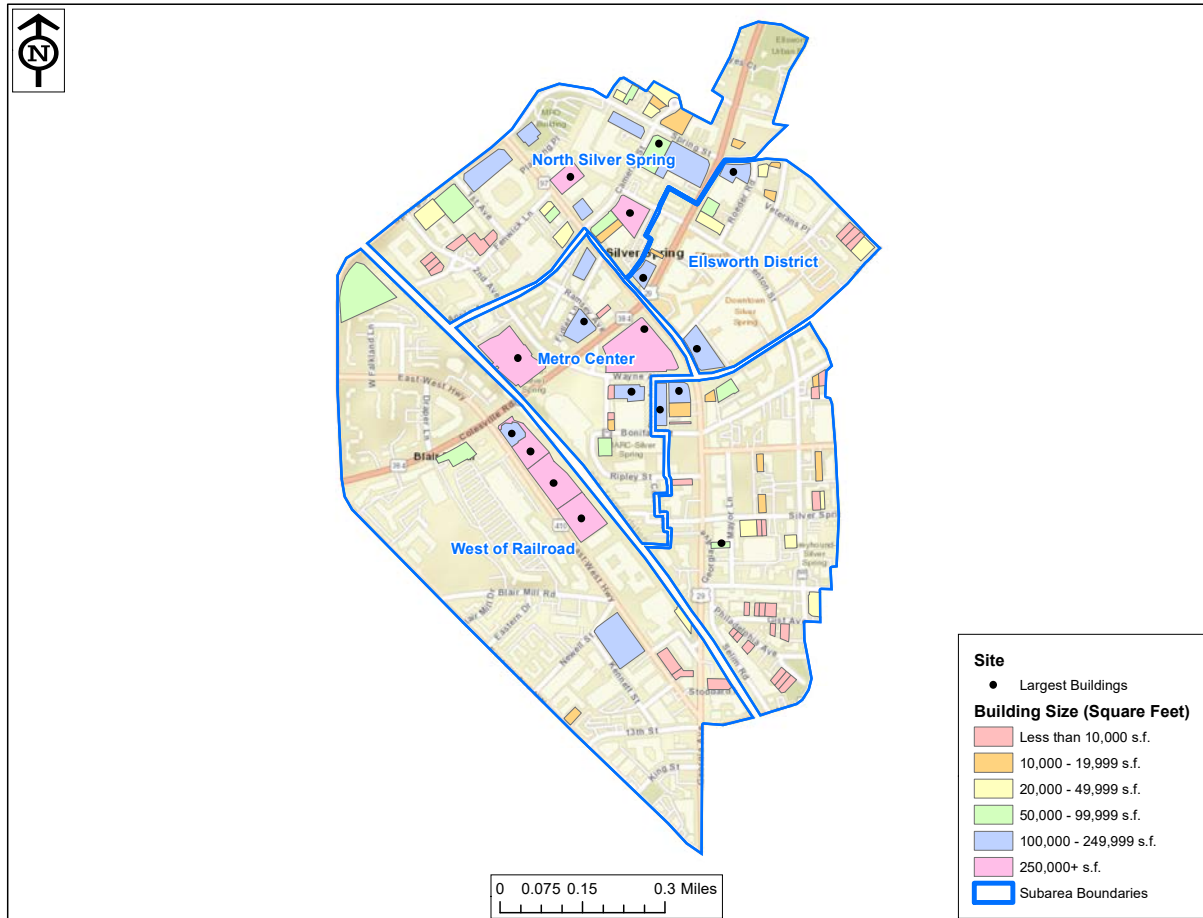
Map 16. Downtown Silver Spring Office Space by Occupancy Rate, 2020

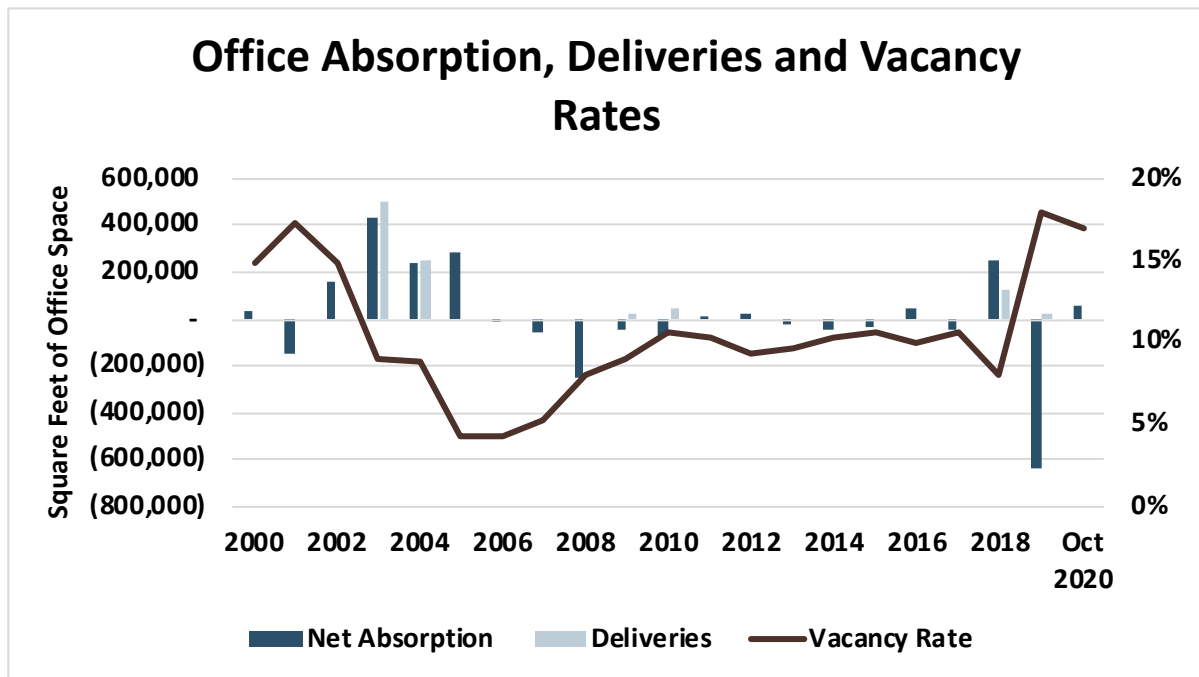


Development Trends

The downtown Silver Spring office inventory includes 6.7 million square feet of space incorporated in two broad categories: general office and neighborhood-service offices in less traditional space. The majority of general office space exists in commercial buildings near Metro and along major thoroughfares with visibility throughout the downtown core and accessibility along East/West Highway (MD 410), Georgia Avenue (MD 97) and Colesville Road (U.S. 29). In the face of high vacancies across the regional office market, downtown Silver Spring has seen construction of only 221,000 square feet of new office space since 2008 – facilities for United Therapeutics Corporation and the Easter Seals Society.

Map 17 – Downtown Silver Spring Office Space by Building Size

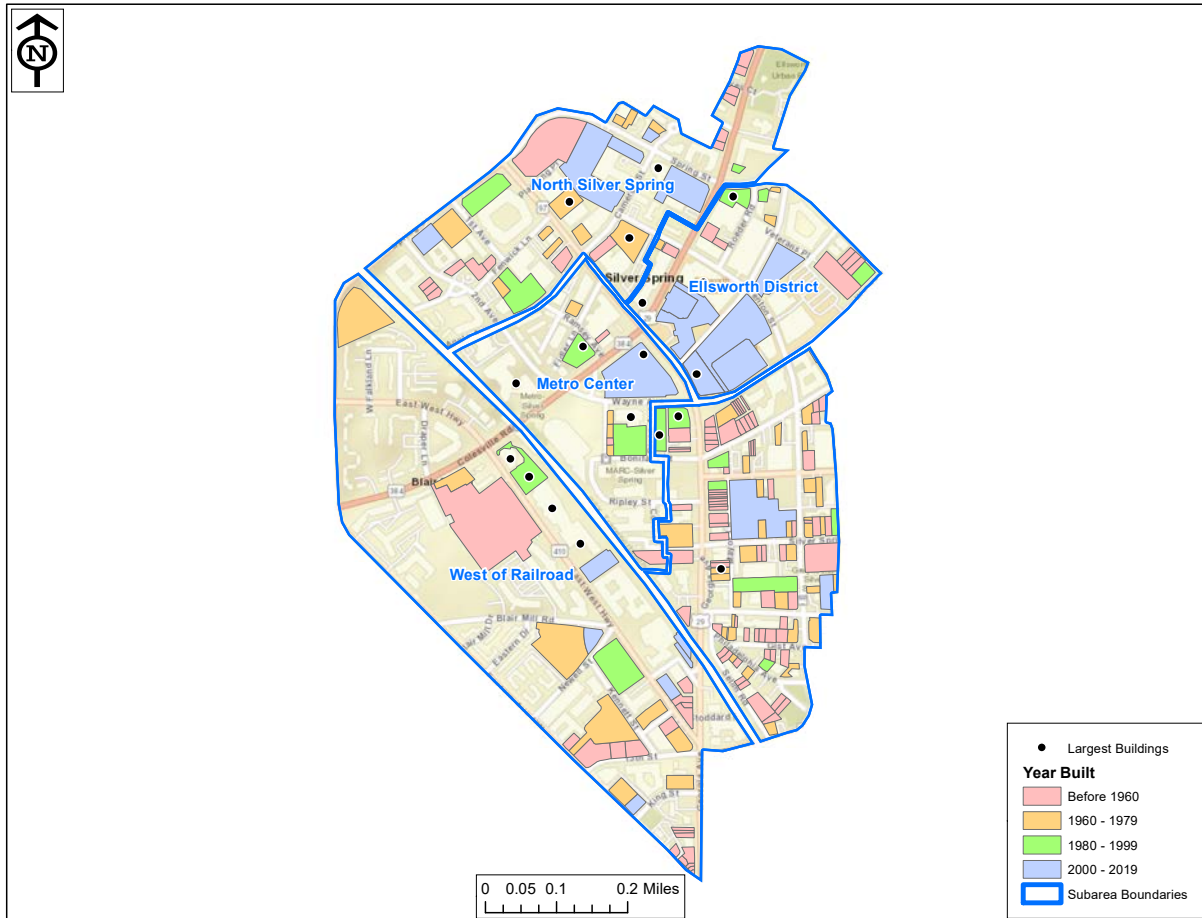




At the same time, demolitions and conversions of existing office space have kept the overall inventory steady, adding a net of only 29,000 square feet or 0.4 percent. The lagging demand for office space undercut the value of older office buildings. Redevelopment offered the opportunity for much higher density and surging apartment demand created a market for residential development. These factors led property owners to sell older buildings. Three vacant and obsolete office buildings in the West of Railroad subarea were converted to residential use in the early 2000s. Octave 1320 converted an older office building near the Metro into condominiums in 2015. Two additional buildings – 700 Roeder and the Guardian Building on Cameron Street – are in the process of converting another 107,500 square feet of office space to residential use.

Downtown’s office inventory was built in waves starting with older buildings clustered along Georgia Avenue on the northwestern end of downtown, taking advantage of proximity to the Beltway. Shown on Map 18, opening of the Metro station in 1978 spurred construction of 11 major office buildings, each with more than 120,000 square feet of space. Inventa Towers, United Therapeutics, Easter Seals and 8515 Georgia Avenue constituted the bulk of construction activity since 2000.

Map 18 – Downtown Silver Spring Office Space by Year Built



Class of Space

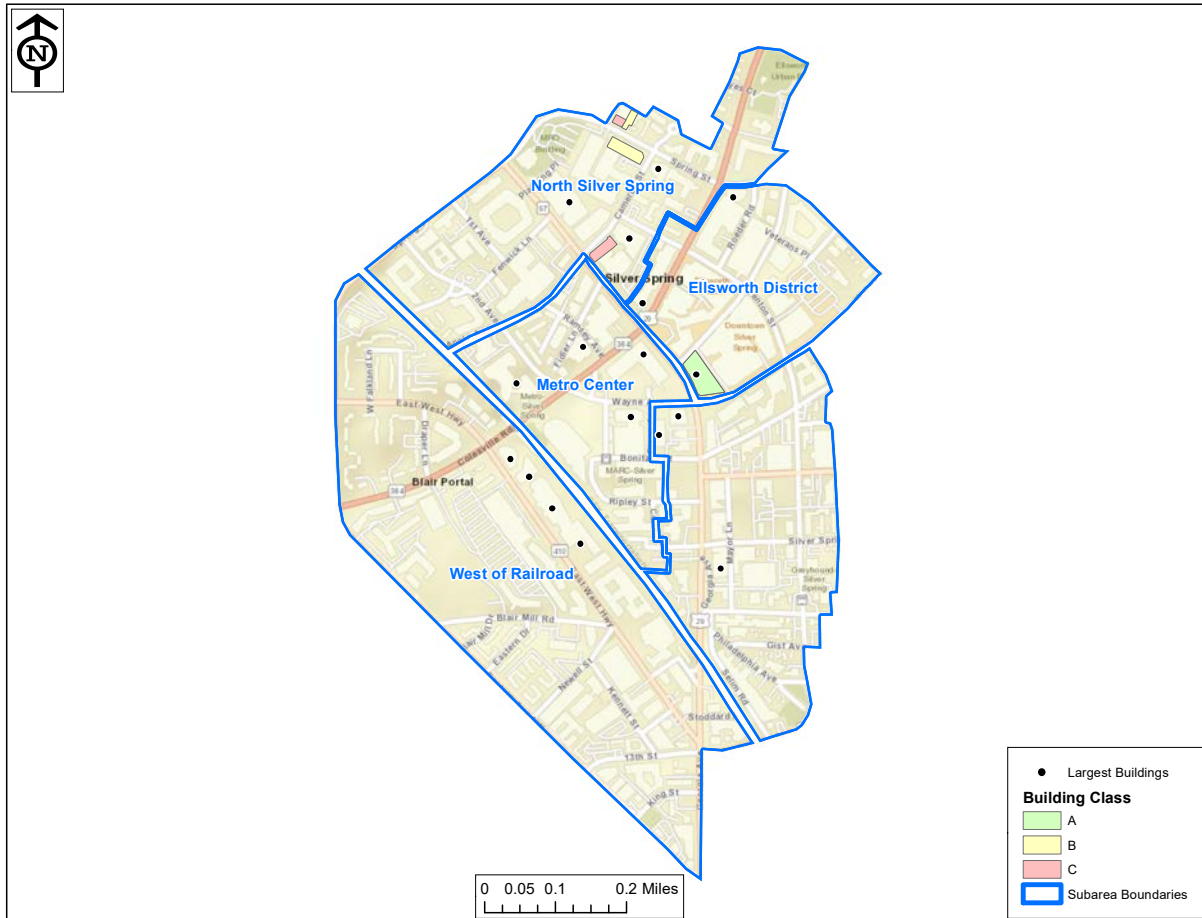
The majority of downtown's office space (63 percent) is classified as Class A, 28 percent is Class B, and 9 percent is Class C. Classing of commercial space helps to properly evaluate existing supply by differentiating buildings by physical condition and operating performance. Class A includes the newest buildings with a high level of finishes and the highest rents, and Class C includes older and often smaller properties in fair to average condition and receiving lower than average rents. Ordinarily, one would expect that Class C space would show the highest vacancy rates, but that is not true in downtown Silver Spring (Table 4). Due to the Discovery-related vacancies at Inventa Towers and 8045 Kennett Street, Class A space is now 20.5-percent vacant. Excluding those buildings, the Class A vacancy rate would be 12.8 percent.

Table 4. Downtown Silver Spring Office Space by Class of Space, August 2020					
	Total Space		Vacant Space		
	Square Feet	Percent of Total	Square Feet	Percent of Total	Rate
Space by Class					
A	4,252,031	63.0%	869,945	75.9%	20.5%
B	1,910,760	28.3%	196,277	17.1%	10.3%
C	590,546	8.7%	80,142	7.0%	13.6%
Total	6,753,337	100.0%	1,146,364	100.0%	17.0%

Source: CoStar, 2020; Partners for Economic Solutions, 2020.

CoStar reports that Class A office rents in downtown Silver Spring’s average \$32.20 per square foot, Class B rents average \$25.85 per square foot, and Class C rents average \$20.92 per square foot. Rent data is more limited for Class C buildings, because many have not been on the market in some time. For comparison purposes, CoStar estimates Class A office rents of \$44.21 per square foot in Bethesda/Chevy Chase, \$39.89 per square foot in Tysons and \$59.41 per square foot in Downtown Washington, DC.

Map 19 – Downtown Silver Spring Office Space by Class of Space



Tenancy

Since the opening of the Metro station in 1978, downtown Silver Spring has been positioned as a cost-effective alternative to downtown Washington, D.C. The Silver Spring Metro Center project brought NOAA to Silver Spring beginning in 1985. The other newly developed Class A buildings attracted associations, Federal contractors, consultants and other businesses priced out by a rapid increase in Washington office rents as the economy rebounded from a recession and absorbed the surplus of vacant office space, which had helped to constrain rent growth. With direct Metro service to Capitol Hill and downtown Washington, these businesses and organizations could maintain close contact with their government customers. Later, the presence of fiber optic lines in the railroad right-of-way gave Silver Spring a competitive advantage for companies that needed high-speed connectivity.

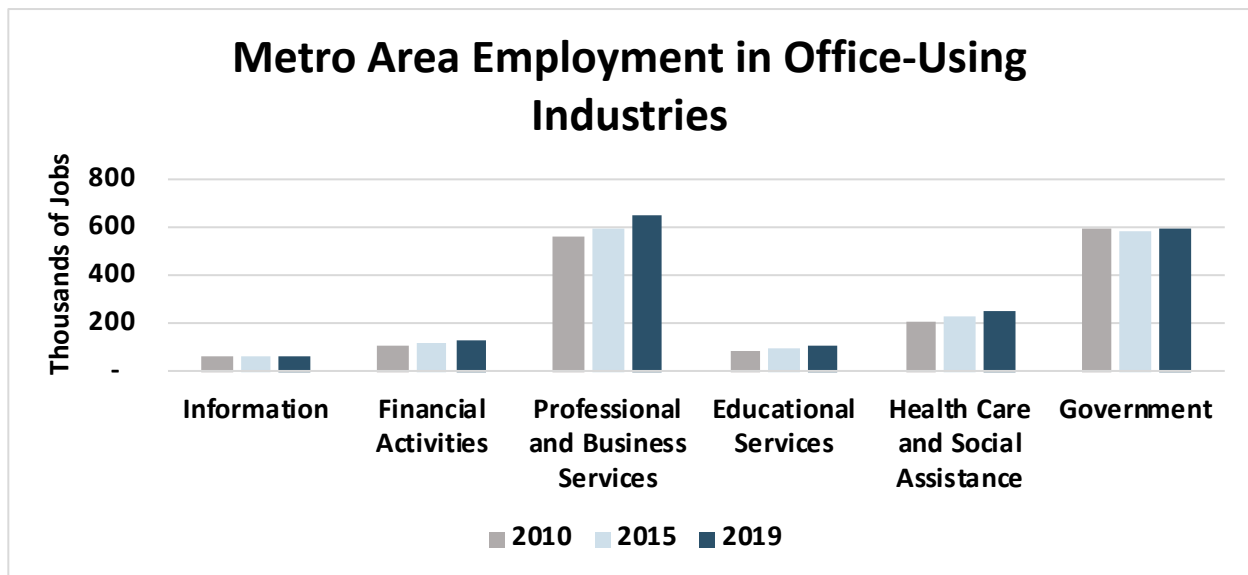
Much of that emphasis continues with the growth of associations and research institutes. Technology companies have a continuing presence in downtown. The attraction of Discovery Communications and Urban One/Radio One, coupled with the Arts and Entertainment District tax incentives, seeded the development of a media cluster, which continues to persist even after Discovery's relocation.

Eschewing the large suburban office campus model adopted by most Montgomery County biotechnology firms in favor of a tight urban headquarters location, United Therapeutics has grown steadily, redeveloping its corner of downtown. Its founders lived in Silver Spring and chose to locate nearby, taking advantage of downtown's accessibility to attract staff.

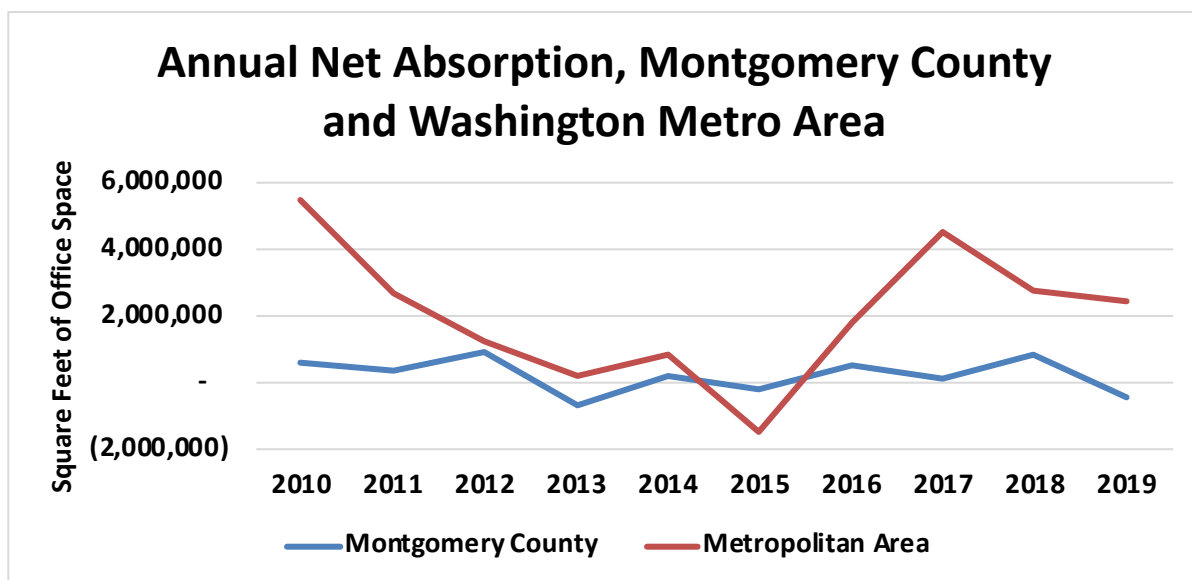
A good portion of downtown office space traditionally has been leased to businesses oriented to serving the needs of the nearby population such as doctors, dentists, attorneys, insurance agents and a variety of other small businesses. Though a smaller share of the office market now, local population-serving businesses remain a force in the local market. Some have left downtown for the outer suburbs following population movements and occupying modern medical office buildings, and new service providers have moved in to serve the growing ethnic and minority communities.

Future Potentials

Within the Washington-Arlington-Alexandria Metropolitan Area, employment in office-using industries increased steadily from 2010 to 2019, as shown in Appendix Table A-11. While overall employment was up 13.5 percent, Professional and Business Services grew by 15.6 percent, Financial Activities increased by 17.5 percent and Educational Services, Health Care and Social Assistance increased 23.8 percent. Information declined slightly while Government employment grew slightly.



On the regional level, net absorption of office space from 2015 through 2019 totaled 10 million square feet, allowing the vacancy rate to decline from 13.9 to 12.9 percent. This performance included major leases for Nestle’s and Amazon. Montgomery County’s net absorption totaled 770,000 square feet, despite Discovery Communications’ departure, reducing the countywide vacancy rate from 14.2 percent in 2015 to 12.4 percent in 2019. Both areas have experienced net losses in occupied office space in 2020, reflecting the effects of the pandemic. Appendix Tables A-12 and A-13 provide office market trend data for Montgomery County and the Metro Area.



Once a vaccine for COVID-19 has been developed and employment starts to grow again, the implications for office space demand are not yet clear. The pressure to reduce office space per employee could abate, easing one of the major forces suppressing office demand. However, months of having employees work from home have demonstrated the feasibility and value of widespread tele-commuting. The desire to increase the amount of space per employee and provide more space between workers may be offset by decisions to reduce the number of workers in the office on any particular day.

Some experts have suggested that companies may favor suburban locations that allow employees to drive to work and avoid using transit. A “hub-and-spoke” model could develop with satellite suburban spaces supplementing downtown space. Downtown Silver Spring could potentially benefit from such a development pattern.

Over the next five years, downtown is unlikely to see new office development as the owners of existing buildings compete to fill their vacant spaces and lower rents below those required to finance new construction. If companies decide to downsize or not renew their leases, vacancy rates might increase to 19 percent over the next two years, adding 79,000 square feet of vacant space over the pre-COVID level. Net absorption averaged 12,900

square feet per year from 2010 through 2018 prior to Discovery vacating its buildings. In 2018 net absorption reached 253,000 square feet, downtown's highest rate since the mid-1990s. Comparing the scale of potential vacant space to historic absorption rates suggests that it may take many years before new construction is again feasible. At the nine-year average absorption rate, it would be 53 years before the downtown office market returned to a 9.0-percent vacancy level when development once again could be possible. If the downtown market could achieve and sustain half the absorption pace of 2018, downtown's vacancies could decline from a 2021 total of 1,285,000 square feet to 9.0-percent vacancies in 5.3 years or early 2027. That range of futures underscores the uncertainty facing the downtown market, the need for incentives to attract new tenants and the likelihood that additional office buildings will be demolished or converted to other uses.

Subareas

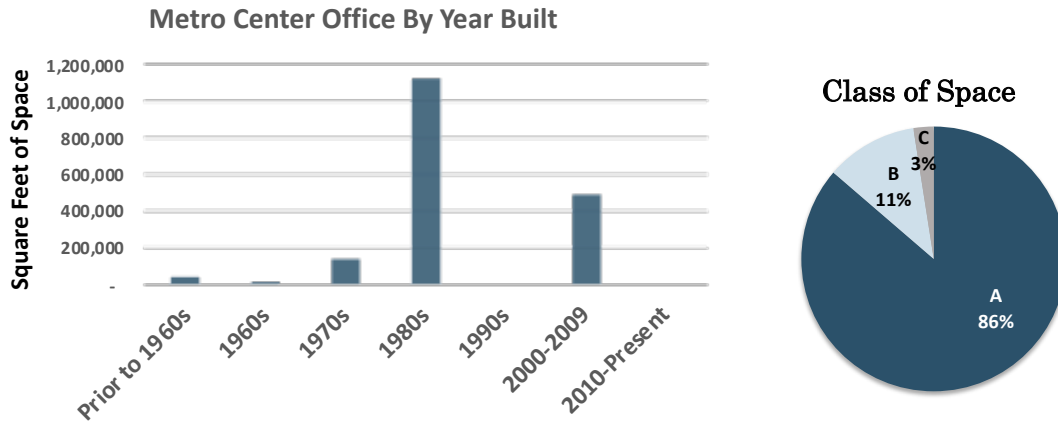
The five subareas within the downtown Silver Spring office market represent clusters that overlap with one another, at times sharing or swapping tenants among buildings. Table 5 provides an overview of the distribution of total and vacant space by subarea. Following that is a discussion of each subarea and how each one differs from the other subareas.

Table 5. Downtown Silver Spring Office Space by Subarea, August 2020					
	Total Space		Vacant Space		
	Square Feet	Percent of Total	Square Feet	Percent of Total	Rate
Space by Subarea					
Metro Center	1,809,676	26.8%	507,886	44.3%	28.1%
West of Railroad	1,653,666	24.5%	188,029	16.4%	11.4%
North Silver Spring	1,669,195	24.7%	204,780	17.9%	12.3%
Georgia Avenue / Fenton Village	807,113	12.0%	111,775	9.8%	13.8%
Ellsworth District	813,687	12.0%	133,894	11.7%	16.5%
Total	6,753,337	100.0%	1,146,364	100.0%	17.0%

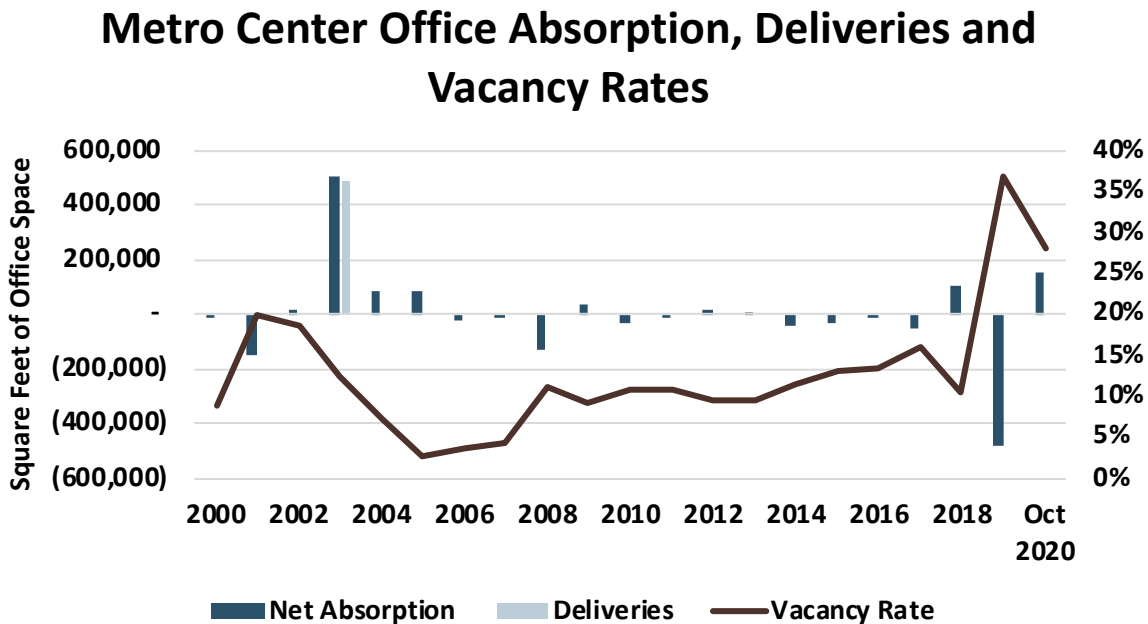
Source: CoStar, 2020; Partners for Economic Solutions, 2020.

Metro Center

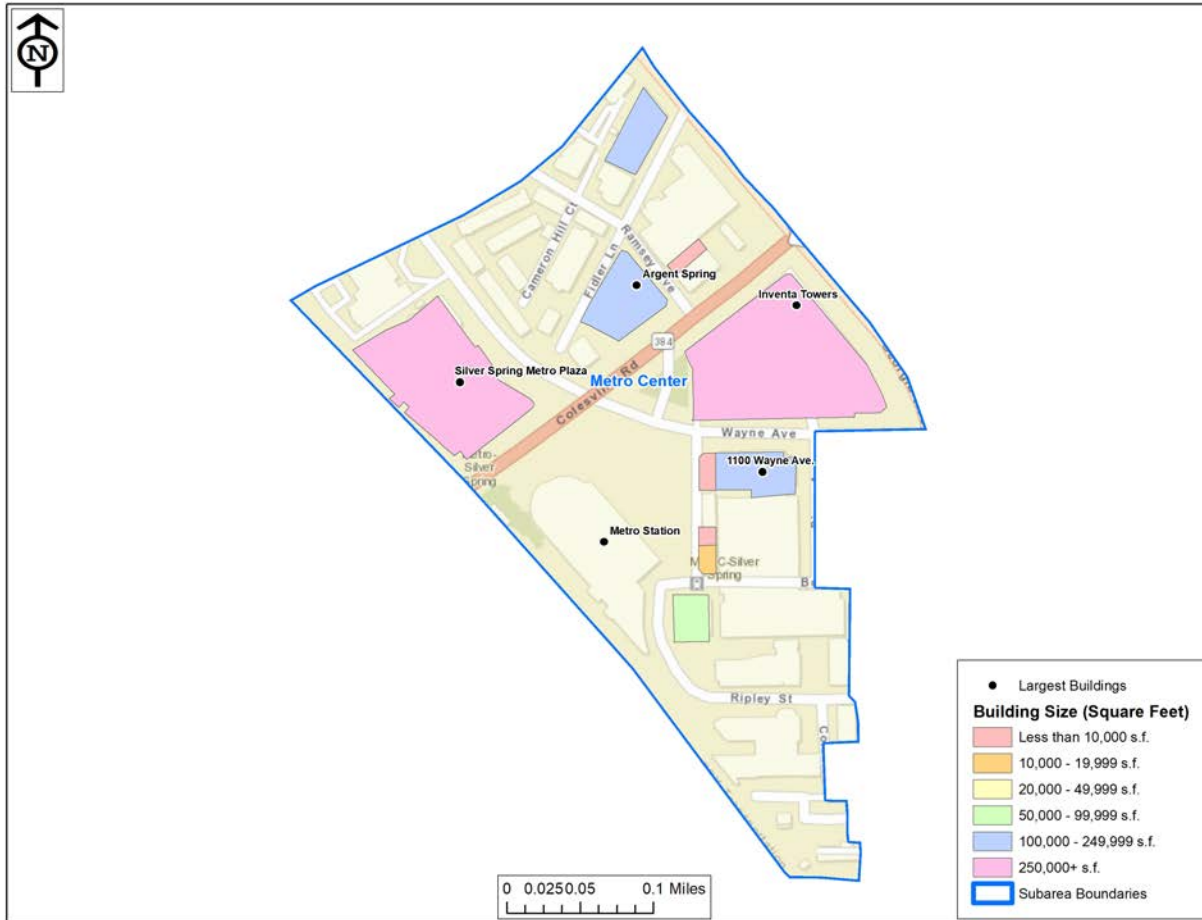
Metro Center represents the heart of the downtown Silver Spring office market with an inventory of 1.8 million square feet. Class A office space totaling 1.56 million square feet suffered due to the loss of a key anchor over the last two years. Discovery Communications' departure opened up 490,000 square feet in Inventa Towers, only half of which has been re-released. Major tenants include the ULLICO, Food & Drug Administration, Merchant Link and National Oceanographic and Atmospheric Administration (NOAA). Other than Inventa Towers, almost all of the district's office space was built in the 1980s, capitalizing on the opening of the Metro station.



The following graph tracks the Metro Center office performance over the last 20 years, showing Discovery Communications' arrival in 2003 with delivery and absorption of almost 500,000 square feet of space. Following Discovery's arrival, the subarea's vacancy rate dipped to 2.6 percent in 2005, grew to 11.3 percent in 2008 with the Great Recession and never fully recovered. With the loss of Discovery, the vacancy rate spiked to 36.7 percent. By October 2020, re-leasing of Inventa Towers brought the vacancy rate down to 28.1 percent.

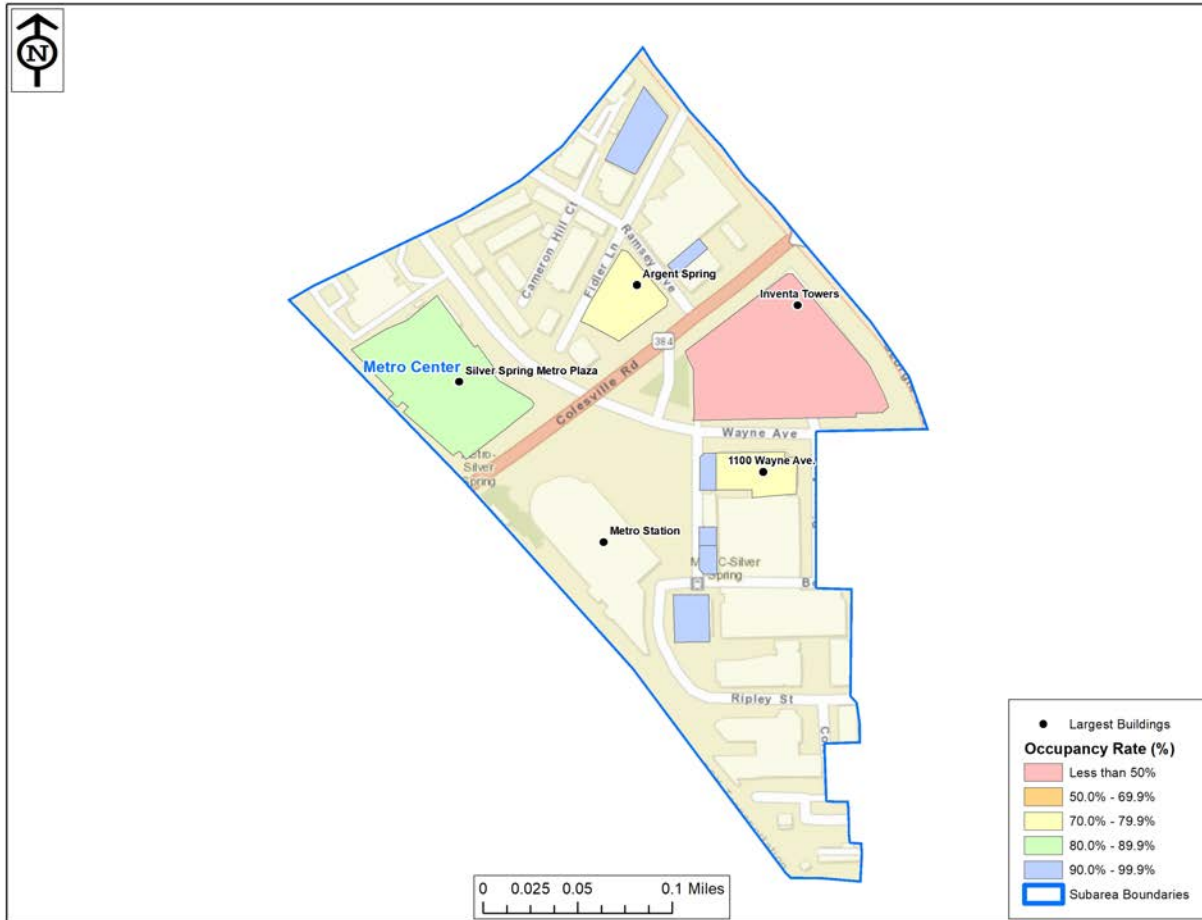


Map 20 – Metro Center Office Buildings by Size



The occupancy rate map highlights the low occupancy at Inventa Towers, Metro Plaza and Argent Spring. In addition to the large blocks of space available at Inventa Towers, other large Metro Center buildings have vacancies of 18,000 to 99,000 square feet. Though these buildings offer outstanding access to the Metro, they are somewhat removed from the vitality of the downtown retail/restaurant core. Reported rents range from \$31 to \$34.50 per square foot for Class A space.

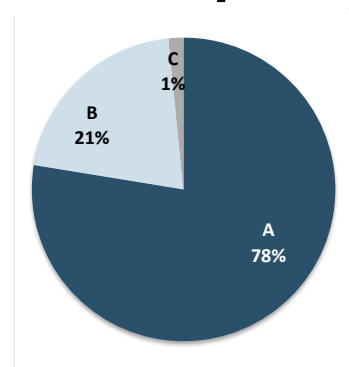
Map 21 – Metro Center Office Space by Occupancy Rate



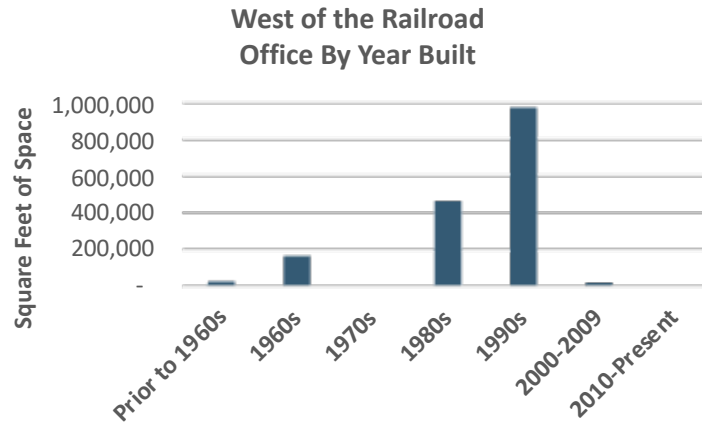
West of the Railroad

Though it now hosts 1.65 million square feet of office space, the West of the Railroad subarea was for a long time an industrial and auto service district along East West Highway south of Colesville Road and a pre-war garden apartment development north of Colesville Road. It was not until the mid-1980s that significant office development occurred west of the railroad. Foulger Pratt developed the Silver Spring Metro Center complex between 1985 and 1993 – 1.3 million square feet of space in four major office buildings for the National Oceanographic and Atmospheric Administration (NOAA). These four buildings each offer structured parking and immediate adjacency to both the Metro Red Line and the MARC Brunswick commuter rail. The only other Class A building in this subarea (8045 Kennett Street) was converted from a Caldor Department Store for use by Discovery

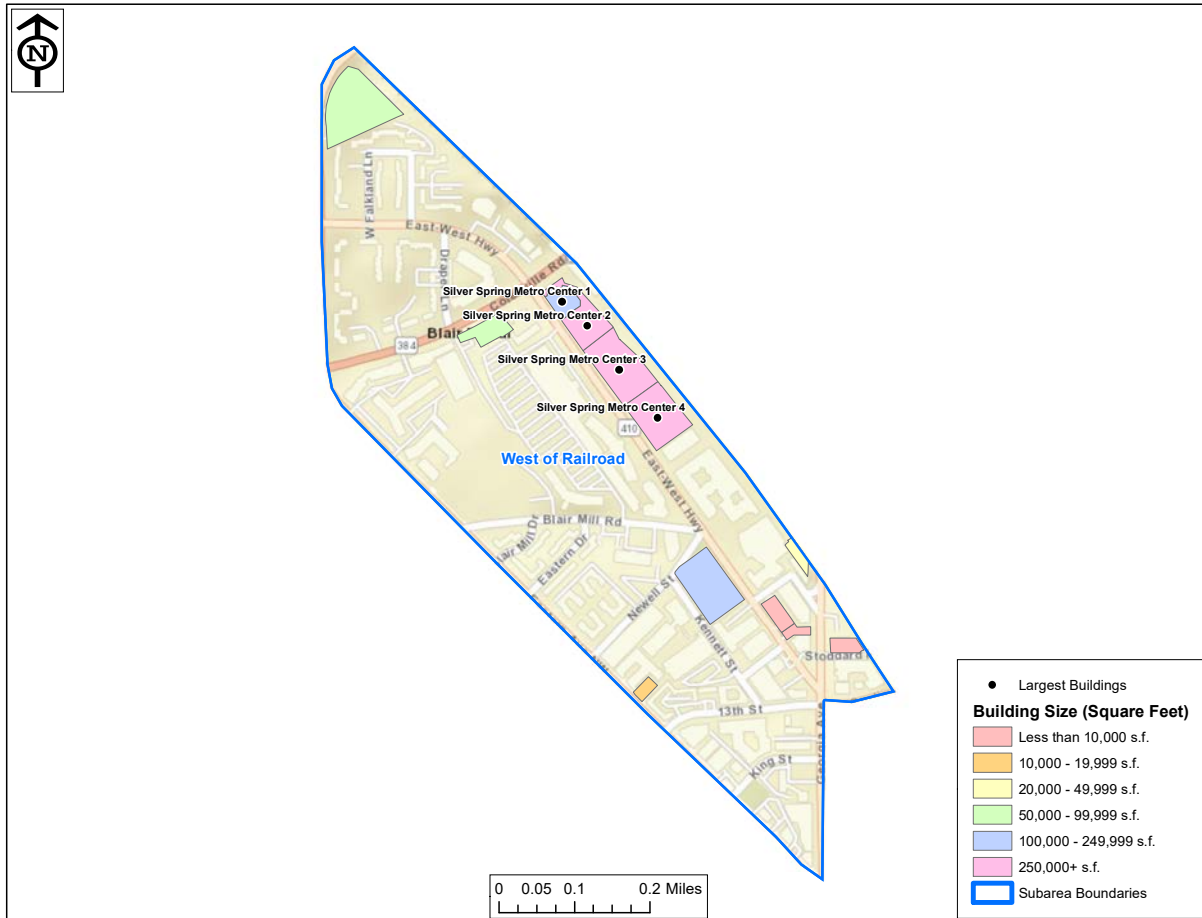
Class of Space



Communications' technical design and production staff. Two large Class B office buildings are located on Colesville Road and 16th Street.



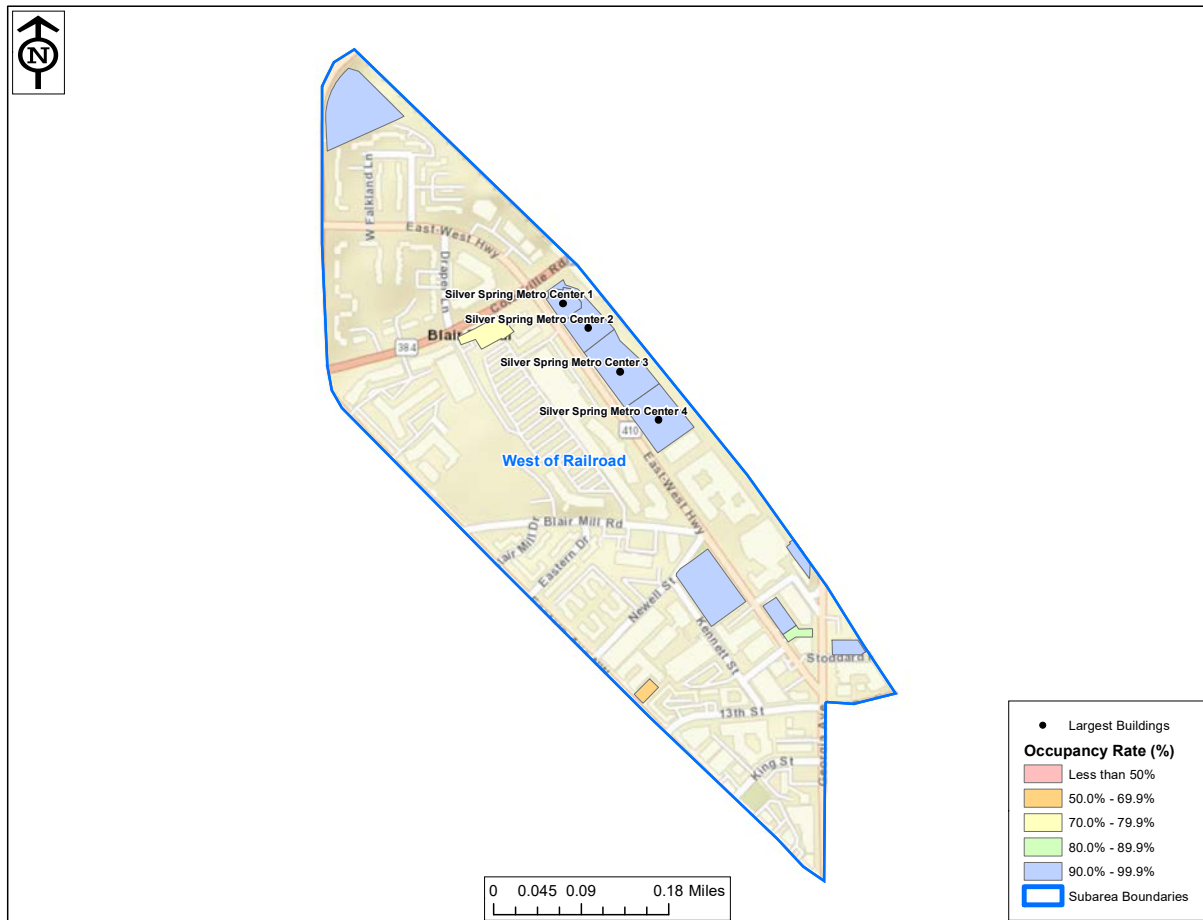
Map 22 – West of the Railroad Office Buildings by Size



Three older office buildings that had depended on US General Services Administration (GSA) leases fell vacant before being converted to residential use in the 1980s. Other Class C buildings have been demolished for construction of new residential buildings. The overall vacancy rate for the subarea was 11.4 percent in July 2020. Excluding the NOAA and Kennett Street buildings, the subarea's vacancy rate stood at 18.2 percent.

Though largely devoted to residential and retail uses, the approved development program for The Blairs includes 133,500 square feet of office space.

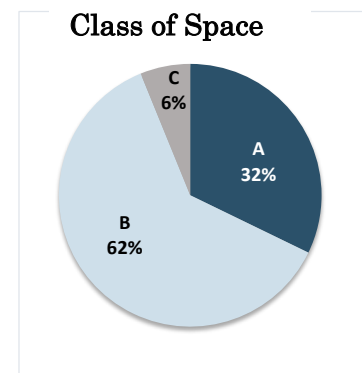
Map 23 – West of the Railroad Office Space by Occupancy Rate



North Silver Spring

The North Silver Spring subarea includes roughly 1.6 million square feet of office space, of which 908,000 square feet are in Class B buildings. Approximately 62 percent of the building stock was constructed in the 1960s (400,000 square feet) and 1970s (accounting for 634,000 square feet) prior to Metro's opening. North Silver Spring has much of the downtown's smaller office building stock with 173,000 square feet of Class C space typically in buildings of less than 10,000 square feet.

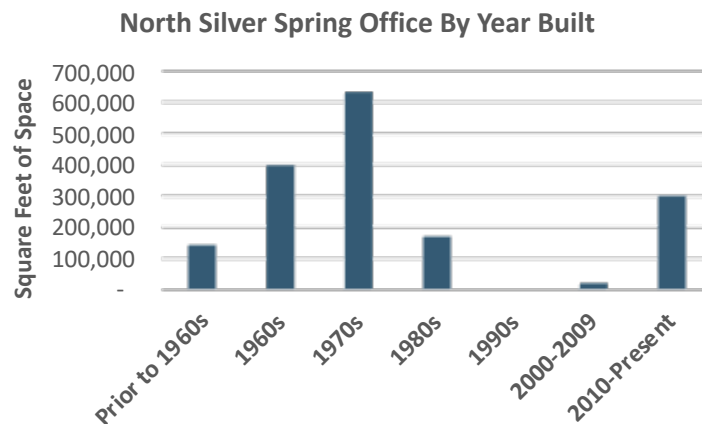
This subarea has seen the only new downtown office space constructed in the last 10 years thanks to the presence of United Therapeutics. United Therapeutics is a biotechnology company that started looking for treatments for a rare lung disease and has since expanded into developing a variety of drugs for rare diseases as well as other biotechnology and telemedicine innovations. Over



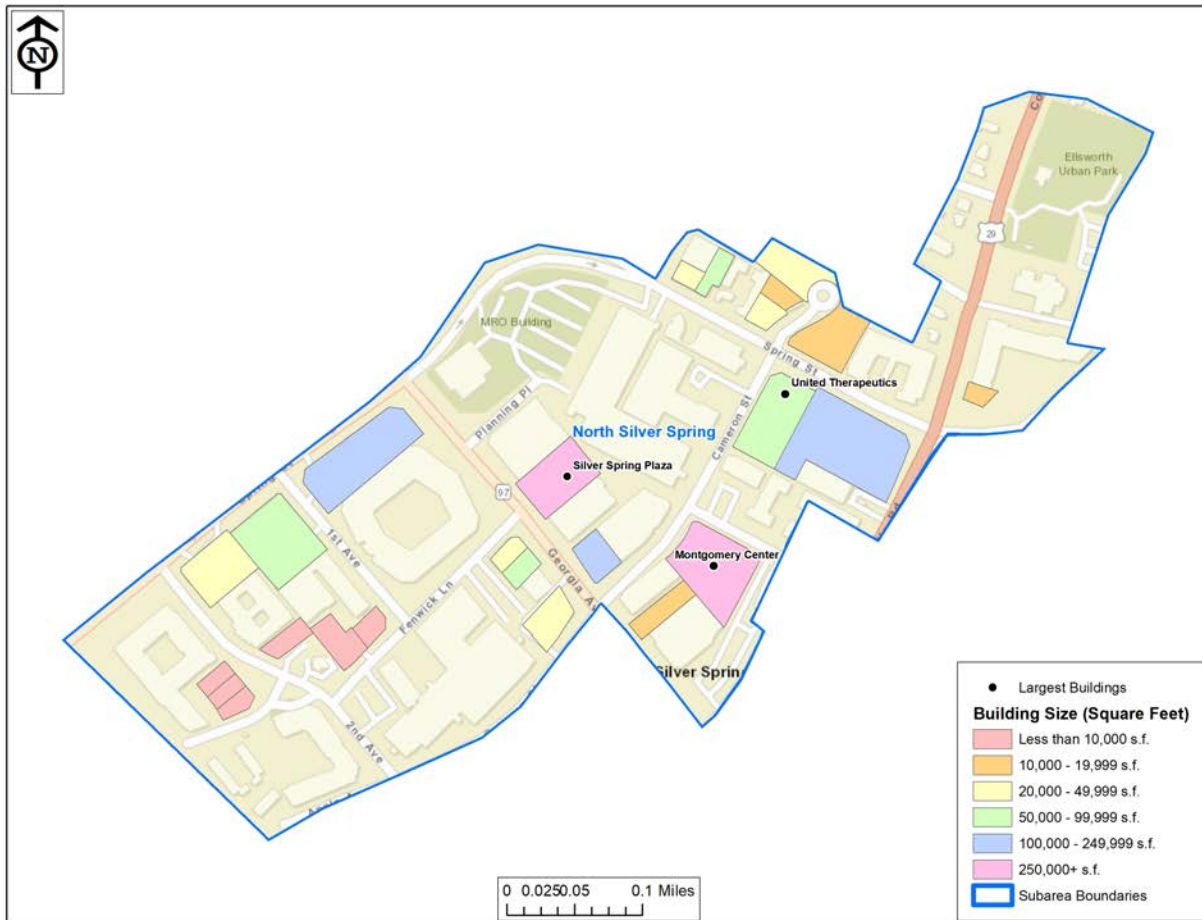


the last 20 years, the company has acquired Class C buildings and a County-owned garage site along Spring Street to develop four buildings with roughly 200,000 square feet of space, including the Unisphere, downtown's first net-zero building, and a dedicated manufacturing facility most recently.

Other major tenants include Social & Scientific Systems, Conflulytics, Synergy Enterprise North Silver Spring's large supply of Class B office space consisting of just under 1.0 million square feet markets a stable environment for businesses unable to afford the Metro-adjacent Class A spaces. Several buildings are outfitted specifically for medical offices.



Map 24 – North Silver Spring Office Buildings by Size

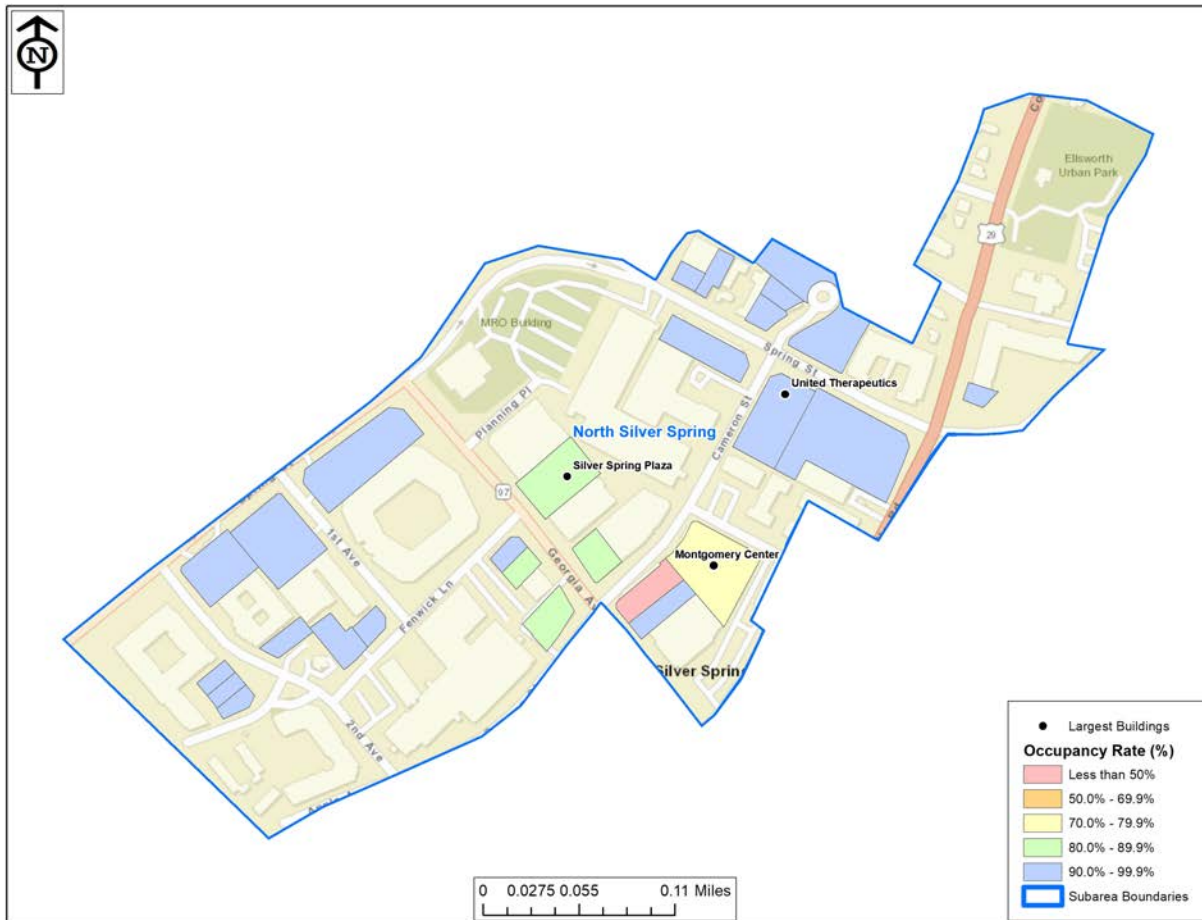


In response to the over-supply of office space, the 75,000 square-foot Guardian Building at Colesville Road and Cameron Street is being converted for residential use. Maryland-National Capital Park and Planning Commission's move to Wheaton will allow demolition of the existing building and replacement with new housing and retail space.

Occupancy rates are relatively high – 90.3 percent excluding the Guardian Building from the office inventory: vacancy ranges from 0 percent for Class C buildings to 8.6 percent for Class A buildings and 12.0 percent for Class B buildings.

Class A space rents range from \$26.80 to \$28.50 per square foot, a notable discount compared to similar and generally newer Class A space near the Metro station. Class B rents generally range from \$23.50 to \$28 per square foot.

Map 25 – North Silver Spring Office Space by Occupancy Rate

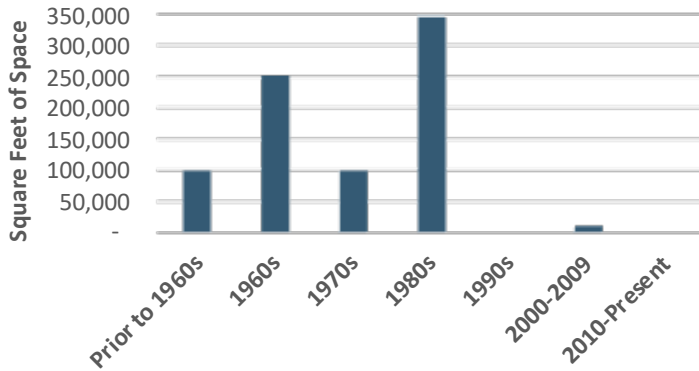


Georgia Avenue / Fenton Village

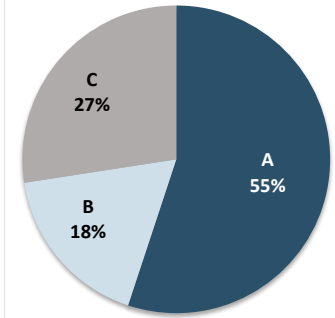
The Georgia Avenue / Fenton Village inventory of 807,100 square feet of office space is generally characterized by older, smaller buildings. Three large Class A buildings, developed from 1970 to 1987, sit at the northwestern corner of the subarea at the Wayne and Georgia Avenue intersection and represent more than half of the subarea's office supply. Class B space represents 18 percent of the total supply with Class C space accounting for 27 percent of the subarea's space. Many of the Class C spaces are in storefront buildings above street-level retail spaces.

Major tenants include Urban One, Curiosity Stream, Palladian Partners, Toole Design and Technology Service Corporation. Other smaller tenants include several associations and research/consulting firms.

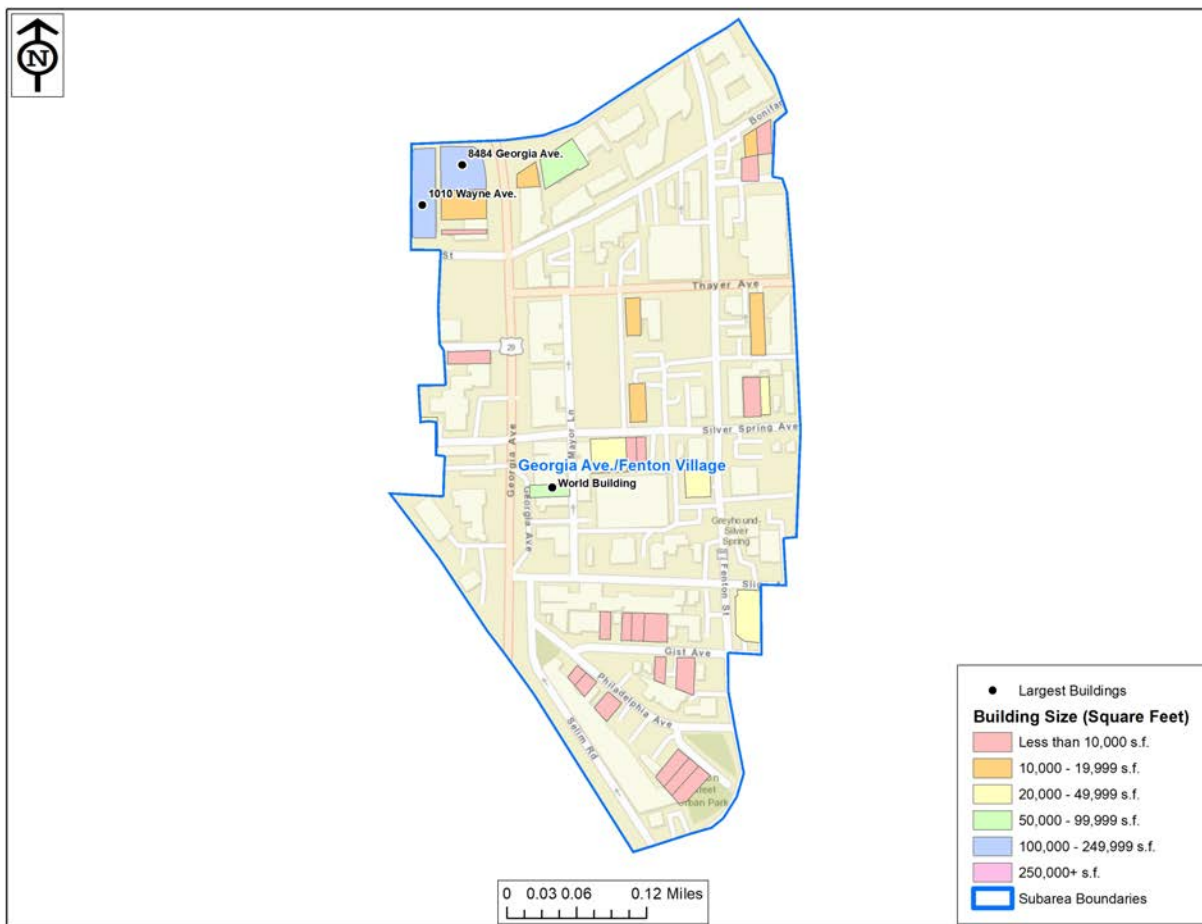
Georgia Ave /Fenton Village Office By Year Built



Class of Space



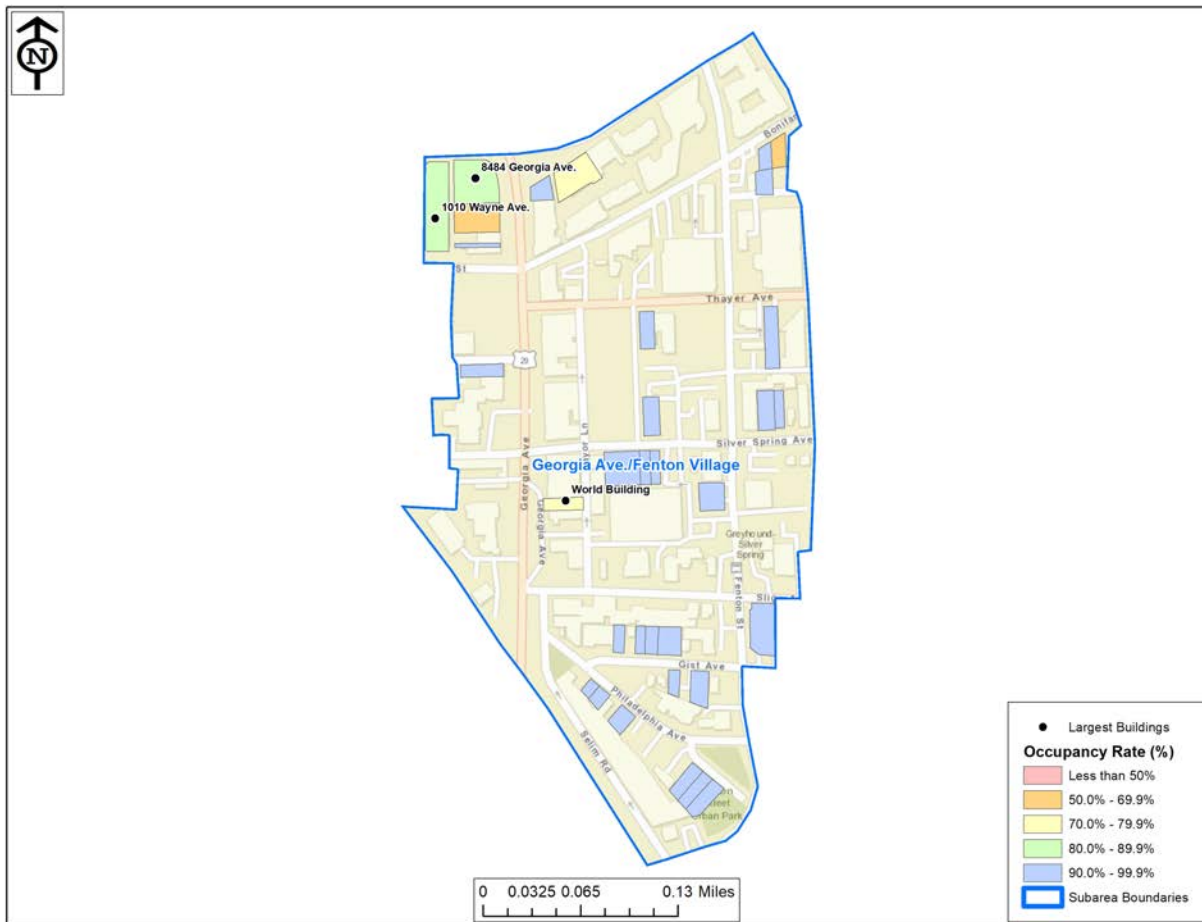
Map 26 – Georgia Avenue / Fenton Village Office Buildings by Size



Overall, the Georgia Avenue / Fenton Village subarea has a 12.7-percent vacancy rate. That ranges from 1.6 percent for Class C space to 14.2 percent for Class B space and 17.8

percent for Class A space. Rents are \$29 to \$35 per square foot for Class A space and \$22 to \$25 per square foot for Class B space.

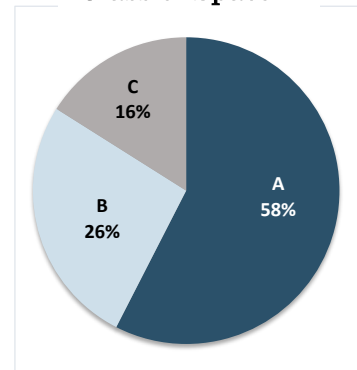
Map 27 – Georgia Avenue / Fenton Village Office Space by Occupancy Rate



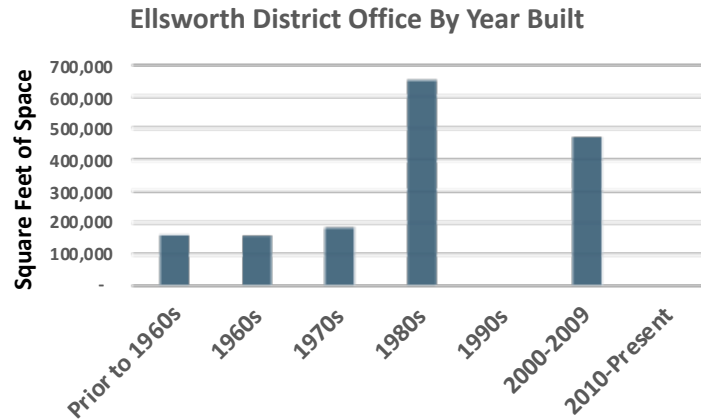
Ellsworth District

Encompassing much of downtown's retail core, the Ellsworth District office inventory is somewhat limited – 814,000 square feet of office space. More than half of the space consists of Class A office with 239,000 square feet of Class B space and only 125,000 square feet of space in categorized Class C buildings. Several of the older Class C buildings were demolished for the Downtown Silver Spring development. The largest old Class C building demolished was 40,000 square feet, the EIG building on Colesville Road where the American Film Institute and Black Box Theater are now located.

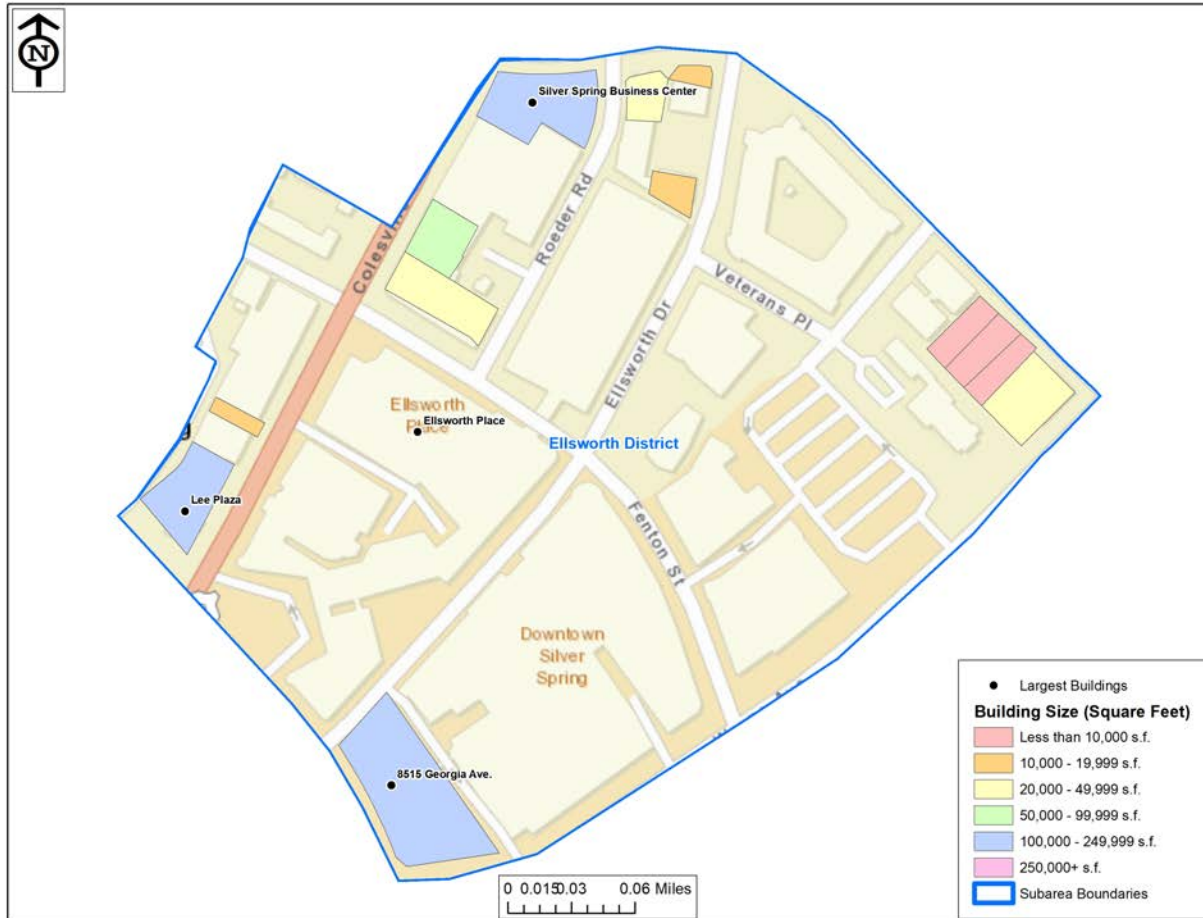
Class of Space



The newest office building with 183,000 square feet was built in 2004 as part of the Downtown Silver Spring project. It houses the American Nurses Association, RLJ Entertainment, Radio One and the Association of Public Health Laboratories.



Map 28 – Ellsworth District Office Buildings by Size



Ellsworth District has an office vacancy rate of 16.5 percent with most of the vacant space focused in the Silver Spring Business Center and Lee Plaza buildings with vacancies of 36,300 and 25,900 square feet, respectively. CoStar reports Class A rents of \$29.50 to \$39.50 per square foot.

One 32,500 square-foot building at 700 Roeder is converting to residential condominiums. Several properties have entitlements to construct additional office space, but there is no current movement on these developments given the current market conditions. The Ellsworth Place development has approvals to construct additional floors above the retail center to include 247,000 square feet of office space. The Fillmore development also has approvals for 220,000 square feet of unbuilt office space.

Map 29 – Ellsworth District Office Space by Occupancy Rate



IV. Service Commercial/Light Industrial Conditions

Historically, industrial properties lined the railroad through Silver Spring and other parts of the county. Over time much of the county's industrial space has been demolished, but some industrial properties remain in pockets of downtown Silver Spring. PES documented these countywide trends in the Industrial Land Use study completed in October 2013, highlighting the role that industrial uses play in a highly urbanized community:

“Except for life sciences, most of Montgomery County's industrial space can be described as production, distribution and repair (PDR) uses, including a variety of important business and municipal uses that support day-to-day living. The county's industrial districts serve a number of purposes:

- opportunities for entrepreneurs and small businesses, including artists and other arts-related businesses;
- convenient access to repair and other services residents and businesses need;
- entry-level and vocational jobs for county residents;
- meeting public sector operational needs; and
- generating tax revenues.”¹²

That analysis documented major losses in industrial land use in Silver Spring from 1993 to 2012, including elimination of most of the industrial uses that once lined East West Highway between Georgia Avenue and Colesville Road. Also underway at that time were shifts in the Ripley District (the triangle of land bounded by Bonifant Street, Georgia Avenue and the railroad). That area was isolated from development activity for decades, in part because of its lack of access to the Silver Spring Metro station. A major County garage and an office building blocked vehicular and pedestrian access to this district. The construction of the Paul S. Sarbanes Transit Center improved vehicular and pedestrian access to Metro. The extension of Dixon Avenue created a second access point through the parking garage. Washington Property Group assembled the industrial uses as well as commercial spaces along Georgia Avenue and developed three major residential structures to take advantage of the growing demand for urban living with easy access to the Metro. A fourth building is planned on the former site of Progress Place, which provides services to the homeless; this development will eliminate the last vestiges of industrial space in the Ripley District. In tracking industrial and flex spaces, CoStar found that over 116,000 square feet of industrial buildings have been demolished over the last three decades, leaving 13 buildings with a total of 108,500 square feet of space. Of that current inventory, almost one-third is in a single self-storage facility and another 20,000 square-foot building is occupied primarily by a dialysis center.

¹² Partners for Economic Solutions. Industrial Land Use: Montgomery County, Maryland. Washington, DC., 18 October 2013. Accessed at: http://www.montgomeryplanning.org/research/documents/industrial_land_use_trends_final_10-18-13.pdf

The remaining cluster of service commercial/light industrial uses in downtown Silver Spring includes Selim Road, Philadelphia Avenue, Gist Avenue, Burlington Avenue and the south side of Sligo Avenue on the southern end of Fenton Village. Multiple purpose-built garages line these roads, providing a concentration of auto repair and auto body shops. CoStar identifies nine industrial buildings with a total of 45,100 square feet of space in this area; however, that is an undercount because it excludes several auto repair garages categorized as retail spaces. Infogroup identifies 14 auto service businesses that employ 74 workers in the Georgia Avenue/Fenton Village subarea. The majority of these business owners are members of minority groups, including several who are immigrants. Their entrepreneurial efforts have grown their businesses, providing a living for their families and jobs for others.

The concentration of businesses allows synergies and cooperation among owners as well as efficiencies in accessing auto parts required for repairs. For area residents, their location roughly 0.6 miles from the Silver Spring Metro station provides the convenience of dropping off one's car and continuing on to work via Metro. The somewhat remote nature of this portion of Fenton Village without surrounding commercial and residential uses buffers these businesses from conflicts with neighbors.

Construction of the Metropolitan Branch Trail bikeway threatens the future of some of these businesses. Developed in a time when the area was devoted to auto uses and there was minimal competition for street parking, many of the auto garages were built with limited on-site parking. They operate using the indoor garage space for current repairs and body work while parking cars that are awaiting repair and/or pick-up on the street. Their customers use the on-street parking when dropping off their cars. The road is narrow enough that employees move their cars when tow trucks and delivery trucks arrive, a constant process throughout the day. The Metropolitan Branch Trail plan calls for taking a portion of Selim Road to accommodate the trail, eliminating an estimated 10 parking spaces along the east side of the street in front of the businesses. Business owners in the area are greatly concerned about losing on-street parking due to its essential role in their daily operations. Several have expressed fears that they would need to close and relocate. These businesses could be maintained by providing new access to the backs of the businesses via Philadelphia Avenue and/or potential through the creation of a parking lot nearby.

Also of concern to the future of this industrial cluster is the potential expansion of mixed-use development from the north. The CR-3 zoning between Georgia Avenue and Fenton Street south to Sligo Avenue allows residential development that could come into direct contact with the auto repair cluster, setting up likely conflicts over parking, early morning activity, noise and aesthetics. Industrial-type uses typically find it hard to persevere when encroachment brings residents to their area.

Appendix Tables

Table A-1. Downtown Silver Spring Employment Trends by Industry, 2010-2015

NAICS Industry Sector	2010	2011	2012	2013	2014	2015	2010-2015 Change	
							Number	Percent
Agriculture, Forestry, Fishing and Hunting	-	-	-	-	-	-	-	NA
Mining, Quarrying, and Oil and Gas Extraction	-	-	-	-	-	-	-	NA
Utilities	-	-	-	-	-	-	-	NA
Construction	396	496	502	430	365	375	(21)	-5.3%
Manufacturing	165	193	192	184	196	231	66	40.0%
Wholesale Trade	229	178	210	206	179	174	(55)	-24.0%
Retail Trade	1,067	994	1,134	1,118	1,057	980	(87)	-8.2%
Transportation and Warehousing	291	200	241	199	118	102	(189)	-64.9%
Information	2,149	2,276	2,130	2,141	2,249	2,300	151	7.0%
Finance and Insurance	656	650	614	585	554	630	(26)	-4.0%
Real Estate and Rental and Leasing	531	378	399	437	419	457	(74)	-13.9%
Professional, Scientific, and Technical Services	6,605	6,625	6,592	6,363	6,904	6,770	165	2.5%
Management of Companies and Enterprises	184	208	243	198	232	142	(42)	-22.8%
Administration & Support, Waste Management	2,619	2,440	1,981	1,918	2,002	1,871	(748)	-28.6%
Educational Services	1,567	1,578	1,612	1,654	484	451	(1,116)	-71.2%
Health Care and Social Assistance	2,111	1,971	1,698	2,174	1,578	1,707	(404)	-19.1%
Arts, Entertainment, and Recreation	263	131	149	167	213	236	(27)	-10.3%
Accommodation and Food Services	2,247	2,041	2,118	2,405	2,733	2,926	679	30.2%
Other Services (excluding Public Administration)	1,630	1,504	1,575	1,649	1,842	1,937	307	18.8%
Public Administration	586	521	458	423	356	351	(235)	-40.1%
Total All Jobs	23,296	22,384	21,848	22,251	21,481	21,640	(1,656)	-7.1%
Percent Distribution								
Agriculture, Forestry, Fishing and Hunting	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	NA
Mining, Quarrying, and Oil and Gas Extraction	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	NA
Utilities	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	NA
Construction	1.7%	2.2%	2.3%	1.9%	1.7%	1.7%	0.0%	1.9%
Manufacturing	0.7%	0.9%	0.9%	0.8%	0.9%	1.1%	0.4%	50.7%
Wholesale Trade	1.0%	0.8%	1.0%	0.9%	0.8%	0.8%	-0.2%	-18.2%
Retail Trade	4.6%	4.4%	5.2%	5.0%	4.9%	4.5%	-0.1%	-1.1%
Transportation and Warehousing	1.2%	0.9%	1.1%	0.9%	0.5%	0.5%	-0.8%	-62.3%
Information	9.2%	10.2%	9.7%	9.6%	10.5%	10.6%	1.4%	15.2%
Finance and Insurance	2.8%	2.9%	2.8%	2.6%	2.6%	2.9%	0.1%	3.4%
Real Estate and Rental and Leasing	2.3%	1.7%	1.8%	2.0%	2.0%	2.1%	-0.2%	-7.3%
Professional, Scientific, and Technical Services	28.4%	29.6%	30.2%	28.6%	32.1%	31.3%	2.9%	10.3%
Management of Companies and Enterprises	0.8%	0.9%	1.1%	0.9%	1.1%	0.7%	-0.1%	-16.9%
Administration & Support, Waste Management	11.2%	10.9%	9.1%	8.6%	9.3%	8.6%	-2.6%	-23.1%
Educational Services	6.7%	7.0%	7.4%	7.4%	2.3%	2.1%	-4.6%	-69.0%
Health Care and Social Assistance	9.1%	8.8%	7.8%	9.8%	7.3%	7.9%	-1.2%	-12.9%
Arts, Entertainment, and Recreation	1.1%	0.6%	0.7%	0.8%	1.0%	1.1%	0.0%	-3.4%
Accommodation and Food Services	9.6%	9.1%	9.7%	10.8%	12.7%	13.5%	3.9%	40.2%
Other Services (excluding Public Administration)	7.0%	6.7%	7.2%	7.4%	8.6%	9.0%	2.0%	27.9%
Public Administration	2.5%	2.3%	2.1%	1.9%	1.7%	1.6%	-0.9%	-35.5%
Total All Jobs	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	0.0%	0.0%

Source: OnTheMap.com, 2020; Partners for Economic Solutions, 2020.



Table A-2. Downtown Silver Spring Retail Trends, 2006-July 2020

	Inventory		Vacant Space		Square Feet		Gross Rent per Sq. Ft.
Year	Buildings	Square Feet	Square Feet	Percent	Net Absorption	Deliveries	
2006	178	2,010,063	71,700	4.1%	(29,704)	1,691	\$31.48
2007	179	2,020,863	77,543	3.8%	14,298	10,800	\$27.76
2008	170	1,973,181	52,764	2.7%	(22,903)	-	\$27.99
2009	170	1,973,181	55,932	2.8%	(3,168)	-	\$26.69
2010	169	1,979,664	65,317	3.3%	(2,902)	11,000	\$24.27
2011	169	1,979,664	50,639	2.6%	14,678	-	\$22.71
2012	163	1,958,614	48,781	2.5%	(19,192)	-	\$23.64
2013	162	1,944,516	40,844	2.1%	(6,161)	-	\$26.05
2014	162	1,944,516	42,474	2.2%	(1,630)	-	\$29.32
2015	162	1,946,460	64,940	3.3%	(65,522)	4,978	\$29.44
2016	160	1,892,810	77,176	4.1%	(20,886)	-	\$27.83
2017	160	1,892,810	66,508	3.5%	10,668	-	\$27.83
2018	159	1,882,659	84,526	4.5%	(28,169)	9,660	\$27.14
2019	159	1,882,659	50,719	2.7%	33,807	-	\$32.14
July 2020	159	1,882,659	87,275	4.6%	(36,556)	-	\$35.77
2010-July 2020 Change							
Amount	(10)	(97,005)	21,958	1.3%	(121,865)	25,638	\$11.50
Percent	-5.9%	-4.9%	33.6%	39.4%			47.4%
Source: CoStar, 2020; Partners for Economic Solutions, 2020.							

Table A-3. Downtown Silver Spring Retail Vacancy Rates by District, 2010-July 2020

Year	Downtown	Ellsworth	Georgia Ave/ Fenton Village	Metro	North	West of Railroad
2010	3.3%	1.2%	7.2%	3.5%	3.1%	2.3%
2011	2.6%	1.7%	2.9%	12.9%	3.0%	1.9%
2012	2.5%	1.5%	2.0%	4.0%	15.8%	1.2%
2013	2.1%	0.8%	3.9%	6.3%	3.8%	1.4%
2014	2.2%	2.5%	1.4%	8.5%	3.2%	0.6%
2015	3.3%	3.0%	3.0%	5.6%	8.6%	2.7%
2016	4.1%	4.5%	2.8%	3.8%	8.5%	3.5%
2017	3.5%	4.8%	0.9%	2.1%	7.6%	2.9%
2018	4.5%	6.1%	2.9%	2.1%	2.0%	3.1%
2019	2.7%	2.6%	3.5%	5.7%	2.8%	-
July 2020	4.6%	5.4%	4.0%	9.4%	6.0%	0.4%
Source: CoStar, 2020; Partners for Economic Solutions, 2020.						

Table A-4. Downtown Silver Spring Retail Trends by Class of Space, 2006-July 2020

	Inventory		Vacant Space		Square Feet		
Year	Buildings	Square Feet	Square Feet	Percent	Net Absorption	Deliveries	Gross Rent per Sq. Ft.
Class A							
2010	3	563,422	-	-	4,481	-	\$32.00
2011	3	563,422	6,428	1.1%	(6,428)	-	\$35.00
2012	3	563,422	3,497	0.6%	2,931	-	\$35.00
2013	3	563,422	-	-	3,497	-	\$35.00
2014	3	563,422	17,000	3.0%	(17,000)	-	-
2015	4	568,400	19,388	3.4%	2,590	4,978	-
2016	4	568,400	39,977	7.0%	(20,589)	-	-
2017	4	568,400	39,133	6.9%	844	-	-
2018	4	568,400	27,806	4.9%	11,327	-	-
2019	4	568,400	19,095	3.4%	8,711	-	-
July 2020	4	568,400	46,308	8.1%	(27,213)	-	-
Class B							
2010	33	716,353	22,392	3.1%	(1,188)	-	\$30.74
2011	33	716,353	17,492	2.4%	4,900	-	\$28.93
2012	32	713,185	10,318	1.4%	4,006	-	\$27.72
2013	32	713,185	17,631	2.5%	(7,313)	-	\$29.37
2014	32	713,185	8,464	1.2%	9,167	-	\$40.00
2015	32	713,185	12,648	1.8%	(4,184)	-	\$28.74
2016	32	713,185	13,090	1.8%	(442)	-	\$25.72
2017	32	713,185	11,138	1.6%	1,952	-	\$30.81
2018	31	703,034	34,313	4.9%	(33,326)	9,660	\$28.96
2019	31	703,034	6,801	1.0%	27,512	-	\$35.94
July 2020	31	703,034	19,001	2.7%	(12,200)	-	\$35.94
Class C							
2010	132	694,353	42,425	6.1%	(6,195)	11,000	\$20.33
2011	132	694,353	26,219	3.8%	16,206	-	\$20.38
2012	127	676,471	34,466	5.1%	(26,129)	-	\$21.58
2013	126	662,373	22,713	3.4%	(2,345)	-	\$22.52
2014	126	662,373	17,010	2.6%	5,703	-	\$28.48
2015	125	659,339	32,904	5.0%	(63,928)	-	\$29.57
2016	123	605,689	24,109	4.0%	145	-	\$28.16
2017	123	605,689	16,237	2.7%	7,872	-	\$27.62
2018	123	605,689	22,407	3.7%	(6,170)	-	\$26.85
2019	123	605,689	24,823	4.1%	(2,416)	-	\$31.41
July 2020	123	605,689	21,966	3.6%	2,857	-	\$35.73

Source: CoStar, 2020; Partners for Economic Solutions, 2020.

Table A-5. Occupied Retail Space¹ Based on Field Inventory, August 2020

	Retail Subarea					
		Georgia Ave/ Fenton Village	Metro	North Silver Spring	West of the Railroad	
Retail Type	Ellsworth					Total
Square Feet of Retail Space						
Neighborhood Goods & Services	122,053	120,330	11,400	29,779	84,140	367,702
General, Apparel, Furniture & Other	288,802	25,467	3,500	1,500	-	319,269
Food & Beverage	165,802	101,131	31,087	10,800	33,996	342,816
Total	576,657	246,928	45,987	42,079	118,136	1,029,787
Percent Distribution of Retail Square Feet						
Neighborhood Goods & Services	21.2%	48.7%	24.8%	70.8%	71.2%	35.7%
General, Apparel, Furniture & Other	50.1%	10.3%	7.6%	3.6%	0.0%	31.0%
Food & Beverage	28.8%	41.0%	67.6%	25.7%	28.8%	33.3%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Number of Retail Spaces						
Neighborhood Goods & Services	28	58	7	16	28	137
General, Apparel, Furniture & Other	32	11	2	1	-	46
Food & Beverage	42	52	12	6	20	132
Total	102	121	21	23	48	315
Percent Distribution of Retail Spaces						
Neighborhood Goods & Services	27.5%	47.9%	33.3%	69.6%	58.3%	43.5%
General, Apparel, Furniture & Other	31.4%	9.1%	9.5%	4.3%	0.0%	14.6%
Food & Beverage	41.2%	43.0%	57.1%	26.1%	41.7%	41.9%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Note: ¹Inventory excludes banks and other first-floor office spaces, auto uses and hardware.

Source: CoStar, 2020; Partners for Economic Solutions, 2020.

Table A-6. Retail Space by Chain/Independent Status Based on Field Inventory, August 2020

	Retail Subarea					
Retail Type	Ellsworth	Georgia Ave/ Fenton Village	Metro	North Silver Spring	West of the Railroad	
Square Feet of Retail Space						
Neighborhood Goods & Services	122,053	120,330	11,400	29,779	84,140	367,702
Chain	105,966	48,057	10,200	12,000	51,940	228,163
Independent	16,087	72,273	1,200	17,779	32,200	139,539
General, Apparel, Furniture & Other	288,802	25,467	3,500	1,500	-	319,269
Chain	272,640	13,246	-	-	-	285,886
Independent	16,162	12,221	3,500	1,500	-	33,383
Food & Beverage	165,802	101,131	31,087	10,800	33,996	342,816
Chain	122,706	2,020	8,364	1,000	9,700	143,790
Independent	43,096	99,111	22,723	9,800	24,296	199,026
Total	576,657	246,928	45,987	42,079	118,136	1,029,787
Number of Retail Spaces						
Neighborhood Goods & Services	28	58	9	16	28	139
Chain	18	8	8	3	3	40
Independent	10	50	1	13	25	99
General, Apparel, Furniture & Other	32	11	2	1	-	46
Chain	20	3	-	-	-	23
Independent	12	8	2	1	-	23
Food & Beverage	40	52	12	6	20	130
Chain	26	2	5	1	7	41
Independent	16	50	7	5	13	91
Total	100	121	23	23	48	315

Source: CoStar, 2020; Partners for Economic Solutions, 2020.

Table A-7. Destination Retail Spaces Based on Field Inventory, August 2020

	Retail Subarea					
		Georgia Ave/ Fenton Village		North Silver Spring	West of the Railroad	
Retail Type	Ellsworth		Metro			Total
Square Feet of Retail Space						
Neighborhood Goods & Services	122,053	120,330	11,400	29,779	84,140	367,702
Destination	40,002	3,750	-	-	-	43,752
Local-Serving	82,051	116,580	11,400	29,779	84,140	323,950
General, Apparel, Furniture & Other	288,802	25,467	3,500	1,500	-	319,269
Destination	237,132	12,390	1,500	1,500	-	252,522
Local-Serving	51,670	13,077	2,000	-	-	66,747
Food & Beverage	165,802	101,131	31,087	10,800	33,996	342,816
Destination	92,369	65,361	12,949	5,000	16,781	192,460
Local-Serving	73,433	35,770	18,138	5,800	17,215	150,356
Total	576,657	246,928	45,987	42,079	118,136	1,029,787
Number of Retail Spaces						
Neighborhood Goods & Services	28	58	9	16	28	139
Destination	2	2	-	-	-	4
Local-Serving	26	56	9	16	28	135
General, Apparel, Furniture & Other	32	11	2	1	-	46
Destination	11	4	1	1	-	17
Local-Serving	21	7	1	-	-	29
Food & Beverage	40	52	12	6	20	130
Destination	13	28	4	1	7	53
Local-Serving	27	24	8	5	13	77
Total	100	121	23	23	48	315

Note: Destination retailers identified by PES to include anchor retailers, specialty retailers that draw customers from beyond the Primary Trade Area, ethnic restaurants and other restaurants that take reservations. This categorization may have failed to include some of downtown's destination retailers due to lack of specific knowledge as to their customer base.

Source: CoStar, 2020; Partners for Economic Solutions, 2020.

Table A-8. Primary Trade Area Sales and Expenditures by Retail Category, 2019

NAICS	Industry Group	PTA Demand (Retail Potential)	PTA Sales	Downtown Sales	Retail Gap (PTA Demand Less Downtown Sales)
Neighborhood Goods & Services					
445	Food & Beverage Stores	\$225,027,350	\$263,867,361	\$196,525,308	\$28,502,042
4451	Grocery Stores	\$188,279,553	\$242,094,637	\$184,663,946	\$3,615,607
4452	Specialty Food Stores	\$11,464,765	\$1,764,719	\$931,709	\$10,533,056
4453	Beer, Wine & Liquor Stores	\$25,283,032	\$20,008,005	\$10,929,653	\$14,353,379
46, 4461	Health & Personal Care Stores	\$77,563,631	\$72,138,054	\$48,123,315	\$29,440,316
	Total Neighborhood Goods & Services	\$302,590,981	\$336,005,415	\$244,648,623	\$57,942,358
Food & Beverage					
722	Food Services & Drinking Places	\$139,816,974	\$126,008,789	\$93,199,092	\$46,617,882
7225	Special Food Services	\$3,976,994	\$7,187,263	\$4,689,438	-\$712,444
7223	Drinking Places - Alcoholic Beverages	\$4,521,479	\$190,231	\$187,087	\$4,334,392
7224	Restaurants/Other Eating Places	\$131,318,501	\$118,631,295	\$88,322,567	\$42,995,934
	Total Food & Beverage	\$139,816,974	\$126,008,789	\$93,199,092	\$46,617,882
Shoppers Goods or GAFO (General Merchandise, Apparel and Accessories, Furniture and Furnishings and Other Shoppers Goods)					
452	General Merchandise Stores	\$194,772,661	\$42,319,148	\$40,009,651	\$154,763,010
448	Clothing & Clothing Accessories Stores	\$91,849,832	\$32,057,637	\$28,565,719	\$63,284,113
442	Furniture & Home Furnishings Stores	\$45,950,961	\$10,021,302	\$3,109,930	\$42,841,031
443	Electronics & Appliance Stores	\$49,455,639	\$33,017,459	\$23,138,041	\$26,317,598
451	Sporting Goods, Hobby, Book & Music Stores	\$36,615,205	\$27,425,173	\$20,343,785	\$16,271,420
453	Miscellaneous Store Retailers	\$45,695,832	\$28,821,573	\$13,864,807	\$31,831,025
	Total Shoppers Goods / GAFO	\$464,340,130	\$173,662,292	\$129,031,933	\$335,308,197
Total Retail Sales					
	Total Retail Sales	\$906,748,085	\$635,676,496	\$466,879,648	\$439,868,437

Source: ESRI, Retail Marketplace Profile, 2020; Partners for Economic Solutions, 2020.

Table A-9. Primary Trade Area Sales and Expenditures by Retail Category, 2019

NAICS	Industry Group	PTA Demand (Retail Potential)	PTA Sales	Retail Gap (PTA Demand Less PTA Sales)
Neighborhood Goods & Services				
445	Food & Beverage Stores	\$225,027,350	\$263,867,361	-\$38,840,011
4451	Grocery Stores	\$188,279,553	\$242,094,637	-\$53,815,084
4452	Specialty Food Stores	\$11,464,765	\$1,764,719	\$9,700,046
4453	Beer, Wine & Liquor Stores	\$25,283,032	\$20,008,005	\$5,275,027
46, 4461	Health & Personal Care Stores	\$77,563,631	\$72,138,054	\$5,425,577
	Total Neighborhood Goods & Services	\$302,590,981	\$336,005,415	-\$33,414,434
Food & Beverage				
722	Food Services & Drinking Places	\$139,816,974	\$126,008,789	\$13,808,185
7225	Special Food Services	\$3,976,994	\$7,187,263	-\$3,210,269
7223	Drinking Places - Alcoholic Beverages	\$4,521,479	\$190,231	\$4,331,248
7224	Restaurants/Other Eating Places	\$131,318,501	\$118,631,295	\$12,687,206
	Total Food & Beverage	\$139,816,974	\$126,008,789	\$13,808,185
Shoppers Goods of GAFO (General Merchandise, Apparel and Accessories, Furniture and Furnishings and Other Shoppers Goods)				
452	General Merchandise Stores	\$194,772,661	\$42,319,148	\$152,453,513
448	Clothing & Clothing Accessories Stores	\$91,849,832	\$32,057,637	\$59,792,195
442	Furniture & Home Furnishings Stores	\$45,950,961	\$10,021,302	\$35,929,659
443	Electronics & Appliance Stores	\$49,455,639	\$33,017,459	\$16,438,180
451	Sporting Goods, Hobby, Book & Music Stores	\$36,615,205	\$27,425,173	\$9,190,032
453	Miscellaneous Store Retailers	\$45,695,832	\$28,821,573	\$16,874,259
	Total Shoppers Goods / GAFO	\$464,340,130	\$173,662,292	\$290,677,838
Total Retail Sales				
	Total Retail Sales	\$906,748,085	\$635,676,496	\$271,071,589

Source: ESRI, Retail Marketplace Profile, 2020; Partners for Economic Solutions, 2020.

Table A-10. Downtown Silver Spring Office Trends, 2006-October 2020

	Inventory		Vacant Space		Square Feet		Gross Rent per Sq. Ft.
Year	Buildings	Square Feet	Square Feet	Percent	Net Absorption	Deliveries	
2006	125	6,720,097	291,901	4.3%	(4,883)	-	\$25.21
2007	125	6,720,097	353,684	5.3%	(61,783)	-	\$28.43
2008	120	6,652,956	535,742	8.1%	(249,199)	-	\$30.16
2009	121	6,674,253	603,280	9.0%	(46,241)	21,297	\$27.16
2010	122	6,724,253	722,276	10.7%	(68,996)	50,000	\$27.31
2011	121	6,709,253	690,118	10.3%	17,158	-	\$27.56
2012	117	6,674,732	627,508	9.4%	28,089	-	\$26.75
2013	116	6,658,888	637,216	9.6%	(25,552)	-	\$26.47
2014	116	6,658,888	683,222	10.3%	(46,006)	-	\$26.75
2015	115	6,651,980	711,965	10.7%	(36,593)	-	\$27.83
2016	114	6,637,448	656,600	9.9%	40,833	-	\$28.65
2017	113	6,635,437	700,897	10.6%	(46,308)	-	\$29.37
2018	113	6,732,161	544,342	8.1%	253,279	121,724	\$29.91
2019	113	6,763,782	1,206,367	17.8%	(640,849)	27,600	\$29.95
Oct-20	113	6,763,782	1,216,133	18.0%	(9,766)	-	\$29.84
2010-October 2020 Change							
Amount	(9)	39,529	493,857	7.3%	(534,711)	199,324	\$2.53
Percent	-7.4%	0.6%	68.4%	68.0%			9.3%

Source: CoStar, 2020; Partners for Economic Solutions, 2020.

Table A-11. Washington-Arlington-Alexandria Metro Area, Metropolitan Division, Employment Trends by Industry, 2010-2019

Data in thousands											2010-2019 Change	
Industry Sector	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Number	Percent
Mining, Logging, Construction	110.0	110.9	113.1	114.3	114.8	117.3	123.0	125.4	126.1	129.6	19.6	17.8%
Manufacturing	36.9	36.0	35.1	34.4	35.4	36.4	36.7	37.0	37.3	38.1	1.2	3.3%
Wholesale Trade	49.5	49.3	49.4	49.8	49.3	48.5	49.8	50.5	50.6	50.4	0.9	1.8%
Retail Trade	201.4	205.8	208.1	210.0	213.7	218.5	219.5	218.9	217.3	213.6	12.2	6.1%
Transportation, Warehousing and Utilities	55.1	55.1	55.1	55.1	55.1	55.1	55.1	55.1	55.1	55.1	-	0.0%
Information	65.3	65.3	63.2	63.2	63.8	62.4	60.6	61.2	62.7	65.0	(0.3)	-0.5%
Financial Activities	105.1	106.5	108.3	110.8	111.5	113.5	116.7	120.0	121.9	123.5	18.4	17.5%
Professional and Business Services	558.2	570.6	584.4	583.6	581.7	595.8	608.1	617.4	629.3	645.2	87.0	15.6%
Educational Services	82.2	85.7	86.1	91.8	93.8	99.5	100.9	99.8	101.8	101.8	19.6	23.8%
Health Care and Social Assistance	202.4	208.5	213.9	216.7	219.6	226.1	234.6	239.8	246.0	250.6	48.2	23.8%
Leisure and Hospitality	215.1	223.3	232.6	240.4	246.1	256.5	264.8	272.5	276.5	280.7	65.6	30.5%
Other Services	151.8	154.5	157.6	159.2	161.1	163.6	171.0	181.3	183.5	185.4	33.6	22.1%
Government	589.5	588.0	585.8	584.6	579.2	582.0	587.9	591.1	593.7	597.7	8.2	1.4%
Total All Jobs	2,422.4	2,460.3	2,493.9	2,514.4	2,526.4	2,577.1	2,632.0	2,675.0	2,709.5	2,748.3	325.9	13.5%
Percent Distribution												
Mining, Logging, Construction	4.5%	4.5%	4.5%	4.5%	4.5%	4.6%	4.7%	4.7%	4.7%	4.7%	0.2%	3.8%
Manufacturing	1.5%	1.5%	1.4%	1.4%	1.4%	1.4%	1.4%	1.4%	1.4%	1.4%	-0.1%	-9.0%
Wholesale Trade	2.0%	2.0%	2.0%	2.0%	2.0%	1.9%	1.9%	1.9%	1.9%	1.8%	-0.2%	-10.3%
Retail Trade	8.3%	8.4%	8.3%	8.4%	8.5%	8.5%	8.3%	8.2%	8.0%	7.8%	-0.5%	-6.5%
Transportation, Warehousing and Utilities	2.3%	2.2%	2.2%	2.2%	2.2%	2.1%	2.1%	2.1%	2.0%	2.0%	-0.3%	-11.9%
Information	2.7%	2.7%	2.5%	2.5%	2.5%	2.4%	2.3%	2.3%	2.3%	2.4%	-0.3%	-12.3%
Financial Activities	4.3%	4.3%	4.3%	4.4%	4.4%	4.4%	4.4%	4.5%	4.5%	4.5%	0.2%	3.6%
Professional and Business Services	23.0%	23.2%	23.4%	23.2%	23.0%	23.1%	23.1%	23.1%	23.2%	23.5%	0.4%	1.9%
Educational Services	3.4%	3.5%	3.5%	3.7%	3.7%	3.9%	3.8%	3.7%	3.8%	3.7%	0.3%	9.2%
Health Care and Social Assistance	8.4%	8.5%	8.6%	8.6%	8.7%	8.8%	8.9%	9.0%	9.1%	9.1%	0.8%	9.1%
Leisure and Hospitality	8.9%	9.1%	9.3%	9.6%	9.7%	10.0%	10.1%	10.2%	10.2%	10.2%	1.3%	15.0%
Other Services	6.3%	6.3%	6.3%	6.3%	6.4%	6.3%	6.5%	6.8%	6.8%	6.7%	0.5%	7.7%
Government	24.3%	23.9%	23.5%	23.3%	22.9%	22.6%	22.3%	22.1%	21.9%	21.7%	-2.6%	-10.6%
Total All Jobs	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	0.0%	0.0%

Source: U.S. Bureau of Labor Statistics, 2020; Partners for Economic Solutions, 2020.



Table A-12. Montgomery County Office Trends, 2006-July 2020

	Inventory		Vacant Space		Square Feet		Gross Rent per Sq. Ft.
Year	Buildings	Square Feet	Square Feet	Percent	Net Absorption	Deliveries	
2006	1,553	68,401,654	5,574,751	8.2%	990,200	698,909	\$26.54
2007	1,558	69,608,164	6,511,916	9.4%	269,345	1,298,877	\$28.29
2008	1,557	70,350,933	7,380,223	10.5%	(123,667)	912,350	\$28.79
2009	1,568	71,616,796	9,300,533	13.0%	(654,447)	1,269,267	\$27.87
2010	1,568	71,610,458	8,697,261	12.1%	596,934	108,000	\$27.56
2011	1,565	71,585,786	8,337,592	11.6%	334,997	12,824	\$27.80
2012	1,556	72,649,179	8,479,946	11.7%	921,039	1,122,852	\$27.54
2013	1,555	72,748,979	9,302,136	12.8%	(722,390)	228,969	\$27.55
2014	1,554	73,817,218	10,167,153	13.8%	203,222	1,168,926	\$27.12
2015	1,553	73,925,941	10,469,341	14.2%	(192,047)	149,881	\$27.51
2016	1,544	73,438,110	9,509,077	12.9%	484,409	189,667	\$27.62
2017	1,543	73,243,103	9,227,884	12.6%	93,363	119,263	\$27.87
2018	1,541	73,301,427	8,461,656	11.5%	824,552	121,724	\$28.36
2019	1,530	73,506,136	9,106,496	12.4%	(440,131)	319,014	\$28.82
July 2020	1,530	74,009,602	9,718,655	13.1%	(108,693)	508,086	\$29.41
2010-July 2020 Change							
Amount	(38)	2,399,144	1,021,394	1.0%	1,995,255	4,049,206	\$1.85
Percent	-2.4%	3.4%	11.7%	8.3%			6.7%
Source: CoStar, 2020; Partners for Economic Solutions, 2020.							



Table A-13. Washington Metropolitan Area Office Trends, 2006-July 2020

	Inventory		Vacant Space		Square Feet		Gross Rent per Sq. Ft.
Year	Buildings	Square Feet	Square Feet	Percent	Net Absorption	Deliveries	
2006	11,404	449,101,042	38,991,807	8.7%	9,356,379	12,537,063	\$30.73
2007	11,540	460,536,795	45,780,939	9.9%	4,250,957	11,926,360	\$32.49
2008	11,653	469,915,048	53,298,779	11.3%	1,822,133	10,158,860	\$32.58
2009	11,723	477,347,049	61,159,324	12.8%	(425,444)	7,786,739	\$31.69
2010	11,754	481,944,160	60,295,064	12.5%	5,504,147	4,988,014	\$32.07
2011	11,757	485,598,955	61,220,074	12.6%	2,724,697	4,141,234	\$32.52
2012	11,756	487,980,463	62,419,558	12.8%	1,216,312	3,527,356	\$32.78
2013	11,761	490,713,359	64,342,673	13.1%	223,593	3,452,870	\$32.72
2014	11,769	493,880,077	66,695,711	13.5%	842,347	4,363,233	\$32.88
2015	11,770	494,385,606	68,651,301	13.9%	(1,539,904)	1,708,824	\$32.96
2016	11,781	495,556,502	68,030,699	13.7%	1,816,840	3,062,478	\$33.73
2017	11,783	496,853,740	64,762,933	13.0%	4,568,060	3,340,684	\$34.36
2018	11,784	498,743,834	63,257,925	12.7%	2,771,178	5,030,483	\$35.38
2019	11,792	503,003,163	64,943,737	12.9%	2,416,499	5,279,331	\$36.61
July 2020	11,802	505,827,186	68,405,092	13.5%	(666,439)	3,217,737	\$37.19
2010-July 2020 Change							
Amount	48	23,883,026	8,110,028	1.0%	19,877,330	42,112,244	\$5.12
Percent	0.4%	5.0%	13.5%	8.0%			16.0%
Source: CoStar, 2020; Partners for Economic Solutions, 2020.							

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